the Freeman

Ideas on Liberty

APRIL 1970

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by which everybody tries to live
at the expense of everybody else."

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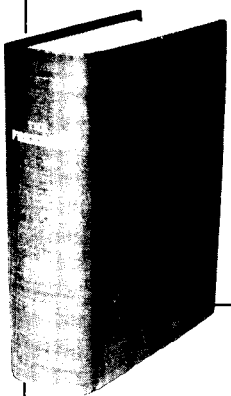

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A CAPITALISTIC COMMANDMENT

F. CLIFTON YOUNG

MAN, in his effort to keep himself alive and prosperous, has had an impressive record of success. Although serious misfortune or even extinction has, now and in the past, accrued to this or that individual community, man as a species has survived and survived remarkably well. He has progressed far from the primitive, naked hominid who cringed before nature and his imaginative representation of it – his gods; and now one of the few characteristics he still has in common with his half-human ancestors is his imagination. But it is an imagination no longer satisfied to remain simply the spinner of fanciful myths, but rather, through discipline, has become a highly efficient manufacturer of ideas pertinent to man's success and well-being.

This discipline has meant a continuous process of adaptation. Man has found it fruitful to have his beliefs reflect and correspond to reality, and profitable to act in accord with the nature of the physical universe. Man has flattered himself as being the wise animal; and insofar as he intelligently takes into account the laws of reality and those of human action, he is. It can be said, then, that man's welfare depends on the products of his reason and on their practical application, or, in short, on technology.

But it would be a mistake to infer from this that technology alone is responsible for the significant increase in favors bestowed on man since his beginning. Tech-

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nology is a tool, and as such depends for its effectiveness on how it is made, and to what use it is put. The decisive factor here is man's mind, or, to be more precise, man's reason. It is a well-known fact to students of animal behavior that man is not the only tool-producing animal; chimpanzees, for example, also share this distinction. But one of the most salient ways in which man differs from the chimp is his increased ability to produce effective tools and to more efficiently use them. In a word, what distinguishes man most from the rest of the animal world is his intelligence.

An increase in man's use of his intelligence (rationality) is essentially an increase in his competence in the role of tool-producer. Man in his struggle for existence and his pursuit of happiness has found, over the centuries, that better tools have meant a better life. And, deeming this good, he has taxed his intelligence with this goal in mind. Hence, the more he used his intelligence, the more productive were his tools.

Tools, then, are not the basic instruments of production. In and by themselves nothing, man's implements depend on man. Ultimately, it is solely his mental and physical labor which is productive – all other factors of production being of a secondary and derivative nature. Of these two principle means of production, the mental labor is the more important since it has been primarily through the use of man's reason that he has advanced.

The Individual in Society

Although existing as an individual, the normal member of the human race lives in a society. This communal aspect of man's nature finds its expression in most aspects of life, and affects every one of us individually. Community involvement in the individual's personal life may take the form of ordinances governing his sexual conduct, or in a claim by his society for its share of the fruits of his labor – that is, taxation. It may be voluntary (as in the demand that he vote or marry), or involuntary (as in conscript labor). It may be just or unjust, benign or pernicious, but it is always present and profoundly alters the life of the individual. The point is this: although it is always individuals who develop and manipulate the means of production, they do it as members of a society. Whether it be the improvement of his mind, his talents, or his estate, man is dependent on his neighbor for the satisfaction of his desires. As a consequence, requisite for the efficient development of the means of production is an intelligent or-

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ganization of man's communal life.

Such an organization of society is inextricably bound up in the creation of an effective mode of production. By mode of production, I refer to a specific way of organizing the principal instruments of production, namely and primarily, man's mind. Obviously, the most effective mode of production would entail the improvement of man's material estate and provide for industrial progress.

Using the Mind of Man to Overcome Obstacles

If man's reason is his most valuable asset in his pursuit of happiness, and if such is to be man's goal, then it would seem to follow that the most desirable mode of production is the one which utilizes man's intelligence to the fullest. It is only common sense that such a system is the most efficient.

Man's survival and well-being are both predicated on his ability to master the world he lives in. Such mastery turns on his productivity. Anything but peak efficiency in production will generate needless frustration and pain. It is clear that if the good for man involves his prosperity, then it also involves the fullest use of his reason, and calls for the form of economic organization which allows and demands such use.

Under what circumstances, then, does man's reason work its best?

First, both the normal and the brilliant of mankind can work at peak efficiency only with unhampered abilities. It is not only the highly creative person who languishes when unfree, but the factory employee, the clerk, the small shopkeeper, the landowner, the investor. In the broadest sense of the word, it would be the worker. The individual works his most effectively when it is in his material interest to do so; as a good general rule, the better off materially he is for his efforts, the more productive he is.

Moreover, the reason flourishes when allowed full freedom to experiment. But such a condition would be inconsistent with any form of centralized planning. Centralized planning involves a consensus among the planners, or no work is accomplished owing to indecision. But under such a consensus, valuable alternatives to any given program are often shelved. Thus neglected is the need to experiment and to explore alternatives.

The most important factor in the use of the mind is largely psychological. It is necessary to take into account the psychology of the creative individual. If the individual views himself as a human sacrifice, or is so viewed, he

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cannot do his best work; and under such circumstances, creativity is often impossible. If the creative person's labor and life are not his own, his work will suffer for it. The calling of the creator must allow him the products of his labor, for he must know he is working for himself – know he is free and independent.

Anyone who has worked with the more brilliant members of the creative professions knows of their fierce desire for independence and their equally strong resentment of interference. When this desire is projected beyond the individual, it logically becomes a mutual respect for the freedom of all concerned. If such mutual respect is absent, so is full productivity. This follows regardless of the type of creative group. Whether it be the scientist, the businessman, the artist, or – to the extent that there is a little creativity in everyone – the man in the streets, this simple truth holds true.

Freedom and Property

Again, under what circumstances does man's reason work its best? Under the system which corresponds to the above outline? Indeed. But the prerequisite for such a system is freedom, or more precisely, the right of property. This should be clear from the following:

a. *Under such a system the worker (in the above-mentioned sense) must have unhampered abilities.* But any intervention by the government or by individuals in the smooth running of the free market implies a narrowing of the possibilities for individual development, a narrowing along the lines preferred by the intervening individual or group. Any limitation on intervention, then, amounts to recognition of the right of the individual to use and develop his talents. But such a right, if it is meaningful, implies that the individual has control over this sphere of his life. This must, in some sense, imply ownership and the right of property.

b. *The better off he is materially, the more productive a worker is likely to be.* Here, the right of property is also implied. And not only must it extend to the individual's person, but to his possessions. Material improvement means control (hence, ownership) over the economic goods which come to him as incentive to work; and such control must be guaranteed, for without such a guarantee, ownership is vitiated. If, to provide the most incentive to the most individuals, this right is extended to everyone, we have the right of property.

c. *The creative individual must have control over the products of*

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his labor, and he must be free and independent subject only to his like consideration for others. This means both the right to what one has earned, and freedom from control or restriction. When taken together, they entail the right to free trade or property – the right to use and dispose of one's property subject only to the respect for a similar right in others. If this is absent in some respect, the individual is either unfree or is deprived of his earnings, or both. Since every individual is to some degree creative, the application of this right of each to his own person and property would be universal.

"Thou Shalt Not Steal" — the Moral Basis of Capitalism

We are now in a position to define the mode of production requisite for the improvement of man's well-being. Free trade, absence of centralized planning, a many-centered (private) base for the ownership of the means of production, lack of governmental intervention in the economy – all of these were mentioned or implied above and all can be stated in a word: capitalism. So it may be rightfully inferred that man furthers his survival on this planet by the establishment of the right of property, and of capitalism. Each entails the other: when property rights are observed, it has been seen that so are the basics of the capitalistic mode of production; when capitalism is firmly rooted, the right of property must be present as a support.

A necessary foundation for capitalism, then, is a supportive philosophy – a code of ethics that can and should serve as a bulwark for the free market. Such a code is familiar to the (classical) liberal and should be to the Christian; it is summed up in its most uncompromising form as the Eighth Commandment. The commandment, "Thou shalt not steal," and its absolute recognition of property rights fundamentally determines capitalistic relationships, in many respects *is* the capitalistic manner of production. When the right of free trade, or property, is established, so is private ownership. Only the owner of a piece of property has rights over it; but such full title implies not only that another cannot (with right) coercively obtain it from him, but that he did not coercively obtain it. Ownership rightfully derives from a ban on the initiation of force against another. Theft, if it is to have any meaning at all, is the violation of the right of ownership, and as such inherently involves the violation of property rights. A tabu on theft, then, would be by its very nature an es-

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tablishment of the right of property. Hence, it would seem that the eighth Mosaic imperative is the basis for capitalism, and for man's improvement in his well-being on this planet.

Capitalism, then, as a correlative of this fundamental point of traditional Western morality, has its roots in pronouncements made centuries ago. It is hardly surprising that such an ethical precept has survived over the centuries. Man has found its observation fruitful, and under the social system most perfectly embodying the formula has done more to better himself than under any other social arrangement. It is reasonable to expect that as he continues along these lines, he will continue to prosper. But it is equally reasonable to expect that if he fails to obey this elementary law of human morality, he may perish by the very tools such obedience has given him — tools which have made possible his mastery of the world, but also make possible his own destruction as a species.

IDEAS ON LIBERTY

Religion at Work

THE KINGDOM of God is a kingdom of productive power at work, and not a kingdom of aesthetic self-indulgence or emotional happiness, much less a kingdom of mere talk. It therefore requires no mystical interpretation to give credence to the promise of prosperity to those who seek first the Kingdom of Heaven. Neither does it require any miracle to bring about the literal fulfillment of the promise that other things will be added unto them, for that result would come about through the normal working of economic law. When all the latent energy of a people is made active, when it is directed in the most intelligent manner toward the satisfaction of real human needs, when none of it is wasted or dissipated in injurious, antagonistic or destructive effort, such a people will attain to a degree of real prosperity hitherto unknown.

THOMAS NIXON CARVER, *The Religion Worth Having*

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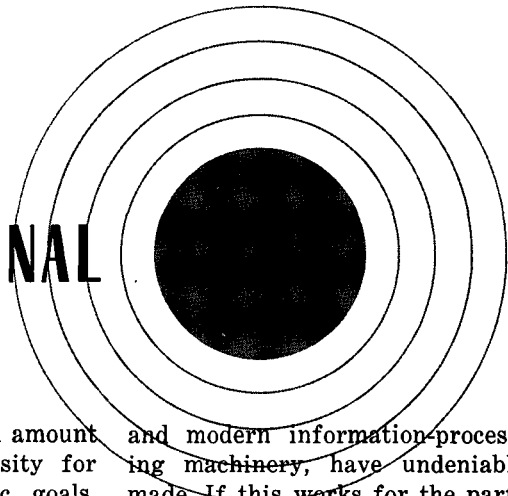
GEORGE HAGEDORN

NATIONAL



THERE is always a certain amount of talk about the necessity for setting national economic goals, and you are hearing some of it now. Although such proposals are seldom outlined with any precision, they seem to envision some kind of council of elder statesmen that will make a choice among the possibilities for future development of the economy. The council would be assisted by technical experts making use of computer technology so that all the implications of each option would be fully understood.

Sometimes the idea is advanced by persons who, on the basis of their past achievements, deserve our respectful attention. And it seems to gain strength from the impressive contribution that modern decision-making techniques, and modern information-processing machinery, have undeniably made. If this works for the parts of our economy, why not apply it to the whole?

Nevertheless, at the risk of appearing paranoid, we want to record the qualms we feel when we hear enthusiastic discussion of the idea. Bluntly, the language of "national goals" sounds much like the language of totalitarianism.

We are sure that those who talk about the need for national goals have no such subversive intention in mind. But the essence of totalitarianism is that the nation, in some mystic sense, is conceived as having goals of its own which are distinct from the goals of its individual citizens. In practice, the right to select goals in a totalitarian state is assumed by a self-appointed elite. We find this an unattractive prospect, whether the self-selected group is composed of

Mr. Hagedorn is Economist and Vice-President of the National Association of Manufacturers. This article is from his column in NAM Reports, January 26, 1970.

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elder statesmen, technical experts, or street thugs.

We would rather think in terms of a society whose main collective goals are, first, to allow everyone maximum freedom in selecting his own individual goals and, second, to furnish him maximum opportunity for achieving them – *whatever they may be.* In such a society you have to accept the fact that what develops is unplannable and only partially foreseeable.

We also believe that proposals for national goal setting are often unrealistic. In some instances, at least, they seem to embody an engineering approach to the problems of the economy. If you are building a machine, you can't expect the parts to fit together, or the finished product to work, unless everything is carefully designed in advance.

Nations Grow as Does a Tree

But the growth of nations and of national economies is an organic process, rather than a mechanical one. It resembles the natural growth of a tree more than it resembles the construction of a pre-designed machine.

If you want a full-grown tree, you plant a seedling where it will get the necessary sunlight and water. You do not have to plan the roots so that they will be strong enough to support it, or plan the limbs so that they will fit properly on the trunk. You do have to protect your tree against diseases or accidents. The highest form of economic statesmanship, we believe, approaches the problems of the economy in this spirit rather than in the spirit of the machine designer.

In raising these objections to goal setting, we do not mean to be preaching a doctrine of atomistic individualism. Plainly, we can achieve our own goals more effectively in cooperation with others.

And, if cooperation is to be effective, it must be organized. Institutions have been developed through which individuals work together toward common goals. But these are instrumentalities for achieving goals, rather than entities which have goals of their own.

Among our institutions, and unique among them, is government. It alone has the ultimate coercive power. However, unless the language of the Declaration of Independence is now outdated, government too is an instrumentality we can use rather than a power we should serve.

It may be that, with the growth of population and industry, it has become appropriate to use government for new purposes and in unprecedented ways. People do have common concerns, about the en-

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vironment for instance, that didn't exist in earlier periods.

We don't concede, however, that it has now become the function of the Federal government to set our goals for us. The goals we decide can most effectively be pursued through government are still only a part and not the whole.

All this may seem an absurdly exaggerated reaction to a lot of innocent talk about national goals. But, if there is a kernel of rationality at the core of such proposals, we must assume that those who want to set national goals also want to impose measures that would lead to the achievement of those goals. In the usual jargon, it comes down to a question of the "allocation of resources." The resources to be allocated consist of manpower, land, and capital – in other words, our individual energies and our property.

The present method of allocating resources is through the action of the market place. This is impersonal and allows everyone a maximum of free choice both as to his input and his takeout. The over-all result is unpredictable and may not match someone's idea as to proper national goals. That seems a fair enough price to pay.

IDEAS ON LIBERTY

Utopia

THE OPPOSITE of civilization is not barbarism but Utopia. Utopia can let no man be his own worst enemy, take the risk of going uninsured, gamble on the horses or on his own future, go to Hell in his own way. It has to concern itself more with the connection of the parts than with the separateness of the parts. It has to know where everyone is; it has to keep track of us. It can't protect us unless it directs us.

ROBERT FROST

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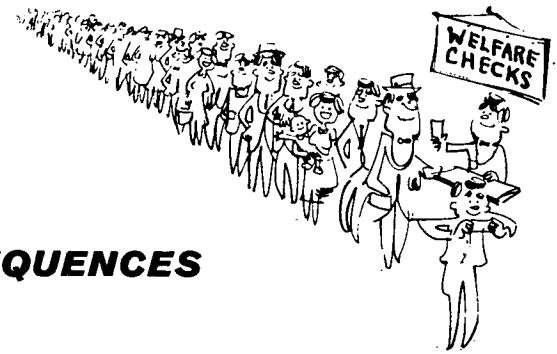
HENRY HAZLITT



WELFARISM
and its CONSEQUENCES

IN THE EARLY nineteen thirties, in the depth of the Great Depression, the theory became fashionable that the cause of all depressions was Lack of Purchasing Power. The people just did not have enough money, and because of unwarranted pessimism they were refusing to spend enough even of what they had. The solution was therefore simple: at such a time the government should boldly increase its own spending, "prime the pump," and "get things moving again."

Naive advocates of this theory assumed that more government spending was the whole answer. The more sophisticated advocates saw that the increased spending would not give people more purchasing power if the government kept the budget balanced and took it all away again in higher taxes. The thing to do was to spend more *without* taxing more. The trick, in other words, was deliberately to unbalance the budget – to run a deficit.

Most of the champions of deficits – including the eminent John Maynard Keynes himself, the theory's chief architect – at least publicly professed to believe that the required deficit could be financed by selling bonds directly to the public, to be paid for out of savings. But again, the more sophisticated deficiteers must have seen that a man who buys a $1,000 bond out of his savings surrenders that much purchasing power for the life of the bond. In short, he loses just as much buying power as the government gains. On net balance, no new buying power has been created.

How, then, can the government "create" new purchasing power?

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It can do so only if it does not increase taxes at all, but "sells" its bonds to the banking system, and if the banks "pay" for them by creating deposit credits on their books in favor of the government. This leads to an increase in "the money supply" – that is, an increase either in the amount of currency or of demand bank deposits.

If the government's new bonds are sold directly to member banks, there tends to be a dollar-for-dollar increase in the money supply compared with the amount of new bonds. But if the government's securities get into the hands of the Federal Reserve Banks, they are used to create what is called "high-powered" money. This can lead to the creation of about $6 of new money for every dollar of new government securities.

High-Powered Money

It is not easy to give a satisfactory but short explanation of the reason for this to readers without any previous knowledge of monetary theory. When member banks "buy" government bonds and "pay" for them by creating a deposit credit on their books against which the government can draw, they are adding to the nation's supply of purchasing media. They are creating money out of government promises, and some would say they are creating money out of thin air.

Now if a member bank that has bought such government bonds sells them to its regional Federal Reserve Bank, it can ask that Reserve bank to credit the proceeds to the member bank's reserves with that Reserve bank. But if the member bank is a "city bank," it is required to keep a reserve with the Federal Reserve Bank of only 16½ per cent against its net demand deposits. This means that the member bank is entitled to lend, and so create demand deposits for, about six times the amount of its reserves with the Federal Reserve Bank. That is why money created directly or indirectly by the Federal Reserve Banks is called "high-powered" money.

Thus new "purchasing power" is brought into being. Thus people have more money to buy more goods, create more jobs, stimulate more output, and restore prosperity.

At least so it seems for the moment. But soon there are other consequences.

If there have been heavy unemployment and much "idle capacity," the new monetary purchasing power in the system, by increasing the demand for commodities, may indeed lead to an increase in production, and hence

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to an increase in employment. This has been hailed as the great Keynesian contribution to economic theory and policy. But there are fatal flaws in it.

Return to Coordination

Unless there were some serious lack of coordination among prices, costs, and wages, mass unemployment would not exist in the first place. When it does exist, the only appropriate cure is individual adjustment of prices, costs, and wages to each other – the return of coordination. But this can be brought about automatically only if the competitive forces of the market are given free play.

The reason the Keynesian medicine can work – under special conditions and for short periods – is that by increasing monetary demand and prices it may increase both sales and profit margins, and so restore production and employment. Yet this could be done even more effectively – and without the poisonous side-effects and after-effects – by restoring freedom of competition and individual coordination of prices and wages.

The Keynesians think in terms of aggregates. Their remedy is to increase the total money supply, and thereby to bring the price "level" sufficiently above the wage "level" to restore or maintain profit margins and so keep the wheels of industry spinning at full speed.

This remedy is defective in two respects. It tacitly assumes that there is a *uniform* discrepancy between prices and wages and a *uniform* percentage of "idle capacity" throughout industry. Neither is true. If "industry" is estimated to be operating at 80 per cent of capacity, we must remember that this figure is at best an *average*. It may cover a situation in which, say, industry A is operating at only 60 per cent, industry B at 63 per cent, and so on up to industry M at 97 per cent and industry N at 100 per cent. If we try to expand the money supply enough to return industries A and B to full capacity, we may completely "overheat" industries M and N and produce serious productive distortions and bottlenecks.

What is more, an increase in the stock of money, contrary to Keynesian theory, will begin to force an irregular increase in prices long before "full capacity" has been reached and the "slack" taken up – if only for the reason that the "slack" is never uniform throughout industry. In a very short time, also, with the increase in prices and the increase in the demand for labor, wages will start climbing too. Then, if the previous trouble was that most wages were

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already too high in relation to most prices, there will again be discoordination between wages and prices; and the Keynesian prescription will call for still further doses of government spending, deficits, and new money.

Chronic Inflation

So the Keynesian medicine must lead to chronic deficits and chronic inflating of the money supply. This is precisely what we have had. It is no accident that we have just run eight annual deficits in succession, and that we have had 32 deficits in the last 38 years. It is no accident that the U. S. money supply (currency plus demand deposits) has been increased more than five-fold — from $36 billion at the end of 1939 to $199 billion in September, 1969. And so it is no accident that, in spite of a tremendous increase in industrial production in this thirty-year period, consumer prices have increased (to June, 1969) by 164 per cent.

Today the Federal government is spending in a single year *269 times as much* as in the fiscal year before the outbreak of World War I. The recent increase in annual spending is being attributed by government spokesmen to the cost of the war in Vietnam. Yet though in 1970 scheduled national defense expenditures are $35.6 billion greater than in 1960, total expenditures are $103.1 billion greater. This means that nondefense expenditures alone have increased $67.5 billion in the same period. It is not the war, but the determination to impose the welfare state, that has led to this incredible squandering.

Money vs. Reality

A central fallacy of Keynesianism, as of all inflationary nostrums, is that they chronically confuse "income" in terms of paper money with real income in goods and services. It is possible to increase paper-money income to any amount by debasing the currency. But real income can only be increased by working harder or more efficiently, saving more, investing more, and producing more.

So let us not be too impressed by politicians who constantly cite the increase in dollar incomes, in dollar "gross national product," to show that we never had it so good. In Italy today, as a result of past inflations, it takes 624 lire to buy an American dollar. So anyone in Italy with an annual income or even total property worth more than $1,600 American dollars is already a millionaire in his own currency.

The debasement of the dollar over the past thirty years resulted

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in a succession of problems, including a chronic "deficit" in the American balance of payments.

How Domestic Inflation Creates International Problems

The "balance-of-payments problem" has arisen not merely because of our domestic inflation but because of the combination of this with the so-called "gold exchange" standard and the world monetary system set up at Bretton Woods in 1944. Under that system each government undertook to keep its own currency unit within 1 per cent of parity in either direction by buying or selling that currency against other currencies in the foreign exchange market. In addition, the United States Government undertook to make the dollar the world's "reserve currency" and anchor currency by guaranteeing to keep it convertible at all times (for foreign central banks, but not for its own citizens) into gold at the fixed price of $35 an ounce.

Though only central banks, and neither American nor foreign private citizens, have the right to ask for this conversion, keeping the dollar convertible into gold at this fixed price has proved increasingly embarrassing to our monetary authorities, especially since 1957. During the last decade we have been sending or spending abroad for various purposes – to pay for imports, for foreign aid, and for the support of our armed forces in Europe and in Vietnam – billions of more dollars each year than we have been getting back in payment for our exports and earnings on our capital invested abroad.

This excess of outgoing dollars is called the "deficit" in our balance of payments. From the end of 1957 to the end of 1967 this deficit ran at an average of $2.8 billion a year. At the end of 1968 the cumulative total was in the neighborhood of $30 billion. In early 1969 the deficit on a "liquidity" basis was running at an annual rate of $6.8 billion.

As a result, our monetary gold stock had fallen from $22.8 billion at the end of 1957 to only $10.4 billion in July, 1969. Against these reduced gold reserves the United States had liquid liabilities to foreign official institutions of $10.8 billion, plus short-term liabilities to private foreigners of $22.6 billion – a total of nearly $34 billion.

In much discussion our dollar liabilities to private foreigners are not counted as a potential demand on our gold reserves because private banks, firms, and individuals cannot directly demand gold for their dollars. But under the International Monetary Fund agreements they can always in-

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directly sell their dollars at par to their respective central banks.

In sum, against United States gold reserves of only about $10 billion there are more than three times as many potential foreign dollar claims for gold.

Treating the Symptom

As our gold has drained out, and as foreign dollar claims against it have mounted, the blame has been put on this "deficit" in our balance of payments. But instead of dealing with the main cause of this deficit – domestic inflation – our governmental authorities have allowed the inflation to go on, and have even increased it, while trying to stop the symptom. They have treated the deficit in the balance of payments as itself the problem, and have adopted desperate measures to try to halt it by direct controls.

Their first major control, imposed in 1964, was a penalty tax on purchases by Americans of foreign securities. To make such foreign investments the culprit responsible for a balance-of-payments deficit was not only arbitrary but implausible on its face. In the five years 1958 to 1962 the aggregate net outflow of $16.6 billion for new foreign investment was offset by $15.4 billion of income from previous investment. Even the Secretary of the Treasury, who had asked for the penalty tax, conceded: "In the long run the outflow of American capital to foreign countries is more than balanced by the inflow of income earned on that capital."

He urged the tax, in fact, "only as a temporary measure to meet our problem pending more fundamental solutions." Of course, the more fundamental solutions were never adopted, so not only was the "temporary" security tax renewed, but on January 1, 1968, the President added mandatory controls on direct investments by American corporations abroad.

The implication of these measures is that our private foreign investment has been one of the chief causes of the deficit in our balance of payments. This is clearly untrue. It is Federal spending, through foreign aid and military outlays, that has been in deficit. In recent years the private sector as a whole, as a result of export surpluses and income on private investments abroad, has continued to generate a payments surplus.

In 1967 our total new foreign investments–including bank loans, purchases of foreign securities, and direct investments in factories and sales facilities – amounted to $5.6 billion. But the income from these and earlier private investments came to $6.2 billion.

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At best, then, all these foreign investment restrictions and prohibitions are shortsighted. Any reduction we make in new foreign investment today means a corresponding reduction in investment income tomorrow.

If the Federal government, instead of picking foreign investment as the culprit chiefly responsible for our balance-of-payments deficit, had put punitive tariffs on the further import of foreign luxuries – liquors, wines, perfumes, jewelry, furs, and automobiles – its action would still have been a mistake, but much less damaging to our future economic strength. These tight curbs on direct foreign investments by American corporations must severely hamper their ability to compete successfully with other international corporations in Europe and the rest of the world.

The President's own Economic Report of 1967 pointed out that: "U. S. investment abroad generates not only a flow of investment income but also additional U.S. exports. From a balance-of-payments point of view this is an additional dividend." The U. S. Department of Commerce found, in fact, that in 1964 $6.3 billion, or 25 per cent of our total exports in that year, went to affiliates of American companies overseas.

It is hardly too much to say that direct foreign investments, with the exports and income to which they give rise, are the greatest single source of long-range strength in our balance-of-payments position.

Still worse, from the standpoint of their direct restriction on personal liberty, were the Johnson Administration's proposals (fortunately not enacted) to have Congress impose practically prohibitive penalty taxes on Americans traveling abroad.

The Failure of Direct Controls

The whole effort to eliminate our balance-of-payments deficit by direct controls over arbitrarily selected individual items is doomed to failure. Such controls may succeed in changing the relative amounts of different items, but cannot change the end result. At best we can make our immediate balance of payments look better at the expense of our future balance. We cannot unilaterally cut down our purchases or travel or investments abroad without also cutting down our sales abroad and our investment income from abroad. In his Economic Report of 1968, President Johnson himself conceded that "by provoking retaliation" we may "reduce our receipts by as much as or more than our payments."

The whole so-called "balance-of-

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payments problem" would never have arisen except under the arbitrarily contrived International Monetary Fund gold-exchange system set up at Bretton Woods in 1944. It could not exist if the United States and other countries were on a pure "floating" paper standard with rates fluctuating daily in a free market, because under such a system the fluctuations would themselves set in motion the self-correcting forces to prevent unwanted deficits or surpluses from arising. Nor could the balance-of-payments problem exist if the United States and other leading countries were on a full gold standard. A "deficit" in the balance of payments would then lead to an immediate outflow of gold. This in turn would lead to immediately higher interest rates and a contraction of currency and credit in the "deficit" country, and the opposite results in the "surplus" countries, and so bring the so-called deficit to a halt.

Postponing Self-Correction

Under the Bretton Woods system and the "gold exchange" standard, however, no self-correction of this sort is allowed to take place. When we "lose" paper dollars abroad, we simply print more at home to take their place. And when Europe gains these dollars, they find their way into the central banks, where they become additional "reserves" against which the European governments issue still more of their own currency. Thus, further inflation, in both the "deficit" and the "surplus" country, seems to take place automatically.

In the IMF system there are no freely fluctuating market rates for individual currencies to reveal and correct international imbalances. Market rates are not allowed to fluctuate by more than 1 per cent above or below parity. At that point each government is obligated to buy or sell its own or foreign currencies to prevent any further departure from parity.

These currency-pegging operations are supplemented by the so-called gold-exchange standard. This arrangement, which goes back to international agreements in 1921 and 1922, permits central banks to count not only their gold but their holdings of dollars (and of British pounds) as part of their reserves. The arrangement was adopted in the belief that there was a "shortage of gold" and a "shortage of international liquidity." As a result the world's monetary "reserves" today consist of about $42 billion in gold *plus* about $28 billion of "reserve currencies," of which more than $15 billion are American dollars. As credit and other currencies are

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issued against these reserve currencies, the reserves themselves are inflated.

They Still Want Gold

The real reason the American monetary authorities fear a continued "deficit" in the balance of payments is that they have given the central banks of other countries the right to demand gold for their dollars at $35 an ounce. They have seen more than half our gold reserves flow out in the last twelve years, and they are fearful of losing any more.

They long ago persuaded the Federal government to prohibit American citizens from holding or asking for gold. In the last few years they have resorted to increasingly desperate expedients. Where possible, they have brought political pressure on foreign central banks to keep them from asking for gold for their dollars. Early in 1968 they stopped feeding out gold to hold down the price in private markets in London, Paris, and Zurich. They now try to maintain an inherently unstable two-price system, with official monetary gold at $35 an ounce and nonmonetary gold free to sell at whatever price supply and demand fix.

Early in 1968 the Administration also got Congress to abolish the remaining gold-reserve requirement of 25 per cent against Federal Reserve notes, on the plea that this was necessary to reassure foreign central banks by making all remaining United States gold holdings available to them. But what this action really did was to remove the last legal limitation on the amount of paper money that the Federal Reserve system may issue.

Finally, the American government has pressed for the creation by the International Monetary Fund of "special drawing rights" (SDR's), or "paper gold," to "supplement" dollars as international reserves. The only thing this purposely complicated scheme can do is to adulterate reserves still further and make it possible for nations to issue still more paper money against these paper SDR's, which are declared with a straight face to be just as good as gold if not better.

All these schemes are unsound, and in the end all of them will prove futile. The truth is that no solution of the monetary problem, national or international, will be possible until inflation is stopped, and that it will not be stopped as long as we have the welfare state.

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A Disturbing Awakening

EARL ZARBIN

HOW NAIVE I must have been! That's what I thought when a friend of mine assured me that he believed in violence under certain conditions.

He wasn't thinking of the force a man might use in defense of his life and property – he couldn't have been, because he was about to explain that the violence may be justified to achieve such "good" as relieving hunger and poverty.

Plainly, a person who can justify the use of force to redistribute property in an effort to end hunger and poverty cannot justify the use of defensive force by those from whom the property is to be taken.

However, this contradiction was to come out of his mouth. He said a man certainly has a right to defend his property, except for certain things, such as taxation to promote the general welfare, including the police, social security payments, aid to dependent children, urban renewal, and so on.

I readily agree that taxing to maintain the police power to inhibit violence is legitimate. It is the way of living in civilized society. But I don't concede the legitimacy of taxing from some to give to others, the process necessary to finance the welfare schemes and subsidies mentioned above.

My naivete stemmed not from this; rather, it came from my assumption that people who think of themselves as civilized reject violence as a way of life. Obviously, not all of them do.

I do not know just how widespread this sickness is. (Surely there must be some illness to the intellect which approves the use of force and coercion for reasons other than the defense of life and liberty.)

I realize that the earth largely

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is controlled by men (governments) subscribing to various forms of authoritarianism, among them the bulk of the political officeholders in the United States; but I can't bring myself to believe that people would support such power if they understood this.

Of course, I have no way of knowing what number of persons on the block where I live would support or reject violence. Foolishly, perhaps, I have assumed that those who understood violence would reject it. Now I am not certain, not certain at all; indeed, short of questioning each person I meet, I shall never know.

To Advocate Socialism Is to Espouse Violence

This awakening, both astounding and shocking to me, came as the result of a discussion concerning a professor at a local tax-supported university who maintained that he had a "right" to advocate socialism in the classroom and on the campus.

My position was that the professor, in singing the praises of socialism, was espousing a philosophy of violence; because socialism, as history has shown, cannot be instituted without the use of force, direct or implied. For this reason, I did not believe that those of us who support limited government and free market economics should be required either to pay this professor's salary or to provide him with a platform from which to urge the destruction of the institutions – misshapen though they be – which pay his wages and support the university.

I explained that outside the classroom and off the campus the professor should be free to advocate whatever he wanted, but inside he should confine his remarks to teaching what he was hired to teach. I also said I had no objection to explaining the various "isms" in the classroom, but I could not agree to the *advocacy* of any of them because of the nature of the tax-supported institution: since persons of all political and economic persuasions are forced by government to support the university, it would be improper to permit the advocacy of one political or economic system over another.

I said I would prefer that this professor be dismissed from his teaching position if he did not stop his advocacy of socialism/violence. He had declared his "right" to do this, and unless he changed his mind, the university administration, it seemed to me, had no choice but to discharge him.

I hoped my friend could concur with my position that advocating

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violence was immoral. No, replied the friend, he could not agree, because he was perfectly willing to use force on me and everyone else to achieve the social circumstances mentioned above. Hence, he supported the professor and did not agree that he should be dismissed.

So there are persons who consciously and knowingly support the use of coercion and force. Have I been so naive not to realize this? I suppose I knew it all the time, but I didn't want to accept that people who say they support liberty and freedom can at the same time say they support compulsion and violence. Clearly, they cannot know what they are saying.

I suppose I've always known this to be so. How else could there be so many supporters of "democratic socialism" and other welfare state schemes? But I've wanted to hide myself from this realization. I simply didn't want to believe that these people would willingly and deliberately use force to achieve their goals.

Now I do believe. The veneer of my reluctance to accept that there are many among us who would do this has been peeled away. It has been a disturbing awakening.

IDEAS ON LIBERTY

Law as a Negative Force

WHEN LAW and force keep a person within the bounds of justice, they impose nothing but a mere negation. They oblige him only to abstain from harming others. They violate neither his personality, his liberty, nor his property. They safeguard all of these. They are *defensive;* they defend equally the rights of all. . . .

But when the law, by means of its necessary agent, force, imposes upon men a regulation of labor, a method or a subject of education, a religious faith or creed – then the law is no longer negative; it acts positively upon people. It substitutes the will of the legislator for their own wills; the initiative of the legislator for their own initiatives. When this happens, the people no longer need to discuss, to compare, to plan ahead; the law does all this for them. Intelligence becomes a useless prop for the people; they cease to be men; they lose their personality, their liberty, their property.

FREDERIC BASTIAT, *The Law*

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The Role of Students in the Governance of Law Schools

PHIL C. NEAL

I WANT to begin by rephrasing what I take to be the proper subject of this discussion. There are different points of view from which one might consider the role of students in the governance of law schools but there is only one which seems to me to fit the purposes of this Association and this meeting. It is this: How can student participation in the governance of law schools improve the quality of law schools and of legal education?

Starting from that point of view, I may as well begin with a forthright disclosure of my own benighted convictions, confident that I shall at least perform the humble service of providing a decent target for those who will follow me on this panel. I see little reason to hope that our current absorption with the formal modes of student involvement in the governance of law schools is a path toward the improvement of legal education. I think it is a dreary road that leads to a dead end, one that exacts a heavy toll in time, uses the least important talents of our students and faculty, and carries us toward an environment that is more stifling than invigorating.

This view, which may be shocking, is not based on antipathy toward students nor on mistrust of their objectives, although I know that it may be misunderstood. Nor, I think, does it reflect a lack of appreciation of the contribution that some of them can make in proper ways to a better

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perception of the aims and methods of legal education. My antipathy is not to students but to the idea of governance as a guiding principle in the enterprise of education. My concern is that preoccupation with the role of students leads inevitably to preoccupation with governance, and magnifies the role of governance in an endeavor that should have as little of it as possible.

A Dull Part of Education

Questions of student participation apart, it is unlikely that we would find ourselves today talking about problems of the governance of a law school. Some rather drab subjects have from time to time made their way into programs of this Association or into the pages of the *Journal of Legal Education*, but happily the topic of governance has not been prominent among them. I suppose that until now most would have regarded it as a non-subject, and it is a significant but gloomy commentary on the state of affairs that we could muster this much of an audience to hear a discussion of it now.

The students who seek formal modes of exerting their influence on the character of a law school have a misconception about the nature of the enterprise and an illusion about how it in fact operates. What is true of universities is equally true of law schools, and I cannot put the point better than Harry Kalven has recently done in speaking of universities: "The heart of the activity – what one studies, thinks about, teaches, does research on, those activities which are the reason for his being at a university, are by a proud tradition placed virtually beyond the reach of governance. Ideally, a university is a collection of anarchists, each being allowed to pursue truth in his own way. In a deep sense, the better the university, the less there is to govern. And the least interesting aspects of university life are those which are subject to governance. The organizational principle of the university . . . is anarchy – the right kind of anarchy."

This is not mere rhetoric designed to parry student ambitions and not a mere statement of an ideal. It is closer to a description of the reality than any table of organization would be. How little there is of governance in the ongoing business of a law school is something soon learned by most faculty members and all deans. It will be said, and of course it is true, that there are committees on this and that, there are meetings, there are reports, and the faculty occasionally does something by vote. But ordinarily this is a fitful

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and desultory process. The issues of policy that get resolved by this process in ordinary times are surprisingly few. The number that are important is even smaller, and the number that have to do with improving the quality of legal education is almost negligible.

Ideas Not Born in Committee

We need to ask ourselves how it is that innovation and reform come about in law schools. It is not by governance. It is seldom by committees. I venture that none of us could name a half-dozen committee reports that have exerted a strong influence on legal education, either in general or in individual law schools. And even where a significant committee report can be identified, I am confident that investigation would show that it was largely the work of one man.

The reason is not obscure. Our problems are in the realm of ideas and, even more important, the elaboration and implementation of ideas. They have little to do with arriving at a common will, which is the business of governance. A committee may resolve that urban studies should be developed, or even that particular courses should be offered. Nothing will come of it, and indeed the idea itself is unlikely to be propounded, unless there is a particular individual who sees it as important to engage in the painful creative task of exploring the field, organizing its problems, and putting together a course. To take but one example, can one imagine that Henry Hart's course on the Legal Process could have been born in committee? Where is the striking course or the important field of the law whose addition to the law school curriculum owes its genesis to the work of a committee or the deliberations of the faculty?

When one turns to other areas of the enterprise in which committees customarily function, such as admissions, administration of academic rules, and the appointment and promotion of faculty members, the problems are different but the same general question is appropriate: What reasons are there to believe that participation by students will improve the overall quality of the judgments that are made? Putting aside all other difficulties, how are the students to be found who will have the capacity, the sustained interest, and the desire to spend their time in such unproductive fashion, that will enable them to do a better job than the faculty members who presently carry out these generally unwelcome responsibilities?

The number of faculty members who function effectively on committees is itself small. It takes

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time to learn who they are; it takes experience for them to learn to work efficiently in these routine areas of school administration. It seems to me extraordinary to suppose that there are significant gains in the efficiency or quality of these activities to be found in any available procedure for choosing students or of using them in the short time they can serve. To the contrary, I am reasonably confident that the effort to do so involves substantial losses in the efficiency if not the quality of the process.

How Students May Help

Such negative views do not imply that students have nothing to contribute to the policy of a school or to the direction in which legal education will move. The point is that there are abundant opportunities for that contribution to be made without obsession with the empty questions of structure and governance. We need ideas. We need to take account of the criticism and the special perspective that new generations of students bring to our problems. Those students who have something to say should find no difficulty in getting attention for compelling ideas and persuasive arguments. I cannot imagine a faculty that would not welcome or be influenced by a thoughtful and well-reasoned report of an individual student or a group of students on any problem of legal education. Such reports being as rare as they are in the case of faculty members, the opportunity is in a sense very great.

One would think that law students especially would respond to this challenge if they are interested in the problems, since they have chosen a career that puts high value on the arts of reasoned analysis and persuasion. But this kind of contribution is one that not many students are able or willing to make. Hard work is involved. The stock of ideas that students can bring to old and difficult problems is understandably limited. The most capable students will recognize the difficulties and, for the most part, will rightly conclude that there are better and more interesting ways to use their time. The result is, I am afraid, that most efforts of students to become involved in these matters take the form of superficial proposals based on whatever happen to be the current clichés of reform that leap from one law school to another.

We should by all means encourage thoughtful consideration of the problems of legal education by students, and listen to what they have to say. I doubt very much that the process is going to be much advanced in the long run by

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institutional arrangements, whether in the form of joint committees, parallel committees, representation at faculty meetings, or whatever other devices a particular school may see fit to adopt. There seems little reason to believe that whatever contributions students can make cannot be made by them as students rather than as participants in governance. The elements that make for excellence in a law school are ideas, intellectual climate, and incentives. More governance will not improve these elements. In relation to the environment of a law school, governance is really a form of pollution. If we would preserve the vitality of our institutions, we must hope that we will recognize governance for what it is before it is too late. Perhaps it is already too late.

IDEAS ON LIBERTY

Society's Dilemma

Society's an edifice
Carved out of human flesh,
Unknowable and limitless,
Stretching from man's dawn
To his eventual demise.

The master plans are lost,
Or never were designed,
And vain, untutored men
Seek glory as its architects –
Crumbling and rebuilding, endlessly,
Over mounds of shattered lives.

King or shaman,
Demagogue or priest,
Bureaucrat or labor leader –
Tyrant after tyrant,
Knowing our insane cupidity,
Using our own blood as bait,
Have lured us into slavery or slaughter.

What hope is there for us
To break this vicious cycle?
None, or nearly none,
Until we see with crystal clarity
That each man must support himself –
And share his talents with the world,
In fair exchange for other values
Freely offered by his brothers everywhere.

RICHARD L. ROPIEQUET, President
Alta Industries, Inc., Portland, Oregon

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SINKING IN A SEA OF BUTS

LEONARD E. READ

THERE were five of us, one an Austrian, at a pre-dinner get-together. These friends were each as near purists in the freedom philosophy as one ever comes upon — which is the only reason for mentioning one man's dissent. His dissent seemed insignificant, but it's the minor deviations and inconsistencies of the philosophical elite — not the imitators among us — that weigh so importantly against exemplary action.

That's the setting; here's the talk: A free market affirmation of mine brought an immediate response from the Austrian, "I infer that you wouldn't even approve of the Vienna Opera." (State owned.)

"Indeed, I would not."

"Why, Leonard!"

Following my explanation, he remarked, "I agree with you in principle, *but*. . . ."

I cut him short by saying, "If you agree with me in principle, then we have nothing more to talk about." However, in that remark I was wrong. This is precisely where the talk should begin — with the origin of his and countless other *buts*.

To complete the background, my friend confessed the next morning, "I lay awake most of the night fretting about our discussion. While I still agree with you in principle, I find myself so emotionally committed to the Vienna Opera that in this instance I must make an exception."

It is not my intention here to pick on socialized opera or to show how socialization of the arts is authoritarian or even how a free market for the arts gives consumers what they wish in exchange for their money. This should be apparent to anyone who has an understanding of how freedom af-

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fords justice, whereas socialism does not and cannot.[1] Rather, I wish to suggest the fallacy and the damage arising from allowing exceptions or "*buts*" to what one regards as right principle.

Emotionally Committed Rather than Rational

I rather like the phrasing of my friend's excuse for his deviation: "emotionally committed." By using this term, he acknowledges that his is not a rational commitment; for one of his understanding, it couldn't possibly be. No use explaining to him how the market works – he already knows. So do countless others who approach exemplary status! His phrasing is valuable because it brings to light a facet of the freedom problem that has been eluding us: emotional rather than rational commitments against which rational rebuttals are fruitless.

Among those who understand the freedom philosophy and how it works in practice will be found very few, indeed, who aren't emotionally committed to this or that practice of socialism. Nearly every one of these near-exemplars has his socialistic "thing." If it isn't the Vienna Opera, it is the Gateway Arch, this or that bit of protectionism, a subsidy that befits his convenience, or whatever. "I agree with you in principle, *but*...."

In the first place, I cannot allow my own pet exception to freedom without allowing others their pet *buts*. Every socialistic "thing" is someone's pet. Logically, if I break faith, then I am, by my conduct, endorsing faithlessness on the part of everyone. For me to stand for one socialistic item, regardless of how emotionally committed, is for me to give away the case for freedom; it is to open the sluice gates for all-out socialism. I cannot allow myself an exception and deny a similar allowance to others.

Freedom, as I define it, is "no man-concocted restraints against the release of creative human energy." This, in my view, is right in principle. Granted, a principle stands whether or not anyone stands for it. But whether or not I am a man of principle depends on whether I adhere to or abandon the principle. I cannot slightly defect and remain principled any more than I can slightly lie and remain truthful, or any more than I can slightly steal and remain an honest man.

Bearing in mind that we are here discussing the minor flaws of near or would-be exemplars of freedom – the actions of the philosophical elite – the word "slightly"

[1] See my article, "Can Opera Be Grand If Socialized?" in THE FREEMAN, September, 1962.

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suggests another error common among them. It is that we must rid ourselves of socialism *but* it must be disposed of *gradually*, that is, slightly, or by a step at a time. Were it abolished suddenly, so it is argued, the shock would be unbearable, adjustments to a free society impossible.

This argument rests upon the unwarranted assumption that, were you or I to stand for the immediate repeal of all socialism, then immediate repeal would follow. Actually, if millions of us turned against socialism and demanded its immediate repeal, it would take years for the realization. The wheels of society turn slowly. Gradualists fail to distinguish between principle and practice.

Whenever anyone urges the gradual repeal of laws he believes to be wrong, he has lost the thought and force behind the case for repeal. Instead, postponement is actually advocated; and postponement, as eternity, has no calendar days, no deadline – it is a never-never proposition.

Gradualism has yet another flaw. It implies that what is declared to be wrong isn't all wrong; otherwise, why abide it for a moment? It's like saying that we should bring the thief slowly to justice else the baker and the haberdasher will lose the malefactor's trade too suddenly.

When events in society are going wrong – and they appear to be – nothing less than exemplary action can set them aright, a difficult role. Any exemplar must be prepared for disfavor and unpopularity, simply because his principled positions are and of necessity must be an affront to the mores, a break with the prevailing wrongs.

Freedom appears to be submerged in a sea of *buts*. It is entirely realistic to expect these *buts* from persons who do no thinking for themselves. The exemplar, however, never degrades a principle with a *but*. To do so is commonplace, not exemplary.

Imagine That!

IDEAS ON LIBERTY

ASSUME you discover a way of saving the Federal government one million dollars. Assume furthermore that 999 other citizens find different ways of saving one million dollars. If the government were to accept all the proposals, the savings would amount to less than one-half of one per cent of the proposed 1970 Federal budget.

GARY NORTH

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BIGNESS IN BUSINESS

SHELDON WASSERMAN

THERE has been much discussion recently concerning bigness in business. It is not the purpose here to debate whether bigness per se is an evil. The contention, rather, is that the very policies of government designed to protect competition and combat bigness have necessitated and created this prevalent trend, best exemplified by the conglomerate corporation. Among the factors aggravating this trend are: (1) inflation, (2) the exploitation principle, and (3) corporate statism.

By inflation, I refer to an increase in the supply of money or bank credit without a corresponding increase of the gold supply behind the money.[1] It would be very difficult for a large or intermediate size corporation to acquire company after company without large sums of money at its disposal. Inflation by itself, however, while tending to encourage some mergers, would not result in the conglomerates as a major movement in industry as we see it today.

During the inflationary period of the twenties in the United States, while companies did merge with one another, it was usually for the sake of efficiency – that is, for the purpose of increasing productivity and lowering costs in order to expand sales which would result in increased profits. Few companies bought up other companies in unrelated industries as is quite common today.

We shall not go into the issue of inflation in detail here; what's important is that if money (or bank credit) weren't plentiful, as during a period of inflation, corporations would find it very difficult to fund their acquisitive ventures.

[1] See *What You Should Know About Inflation* by Henry Hazlitt (Princeton, N. J.: Van Nostrand, 1960).

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The Exploitation Theory

The exploitation theory was popularized by Karl Marx.[2] The general characteristic of this theory is that all economic goods are the product of labor only; that is, that which gives value to a good is determined solely by the labor that went into it. The worker, who is the sole producer of economic goods, receives only a partial value of what he produces. The reason for this gross injustice is that the capitalist controls the means of production – land, resources, and capital – and uses these factors to exploit the worker. Since the worker will starve if he doesn't receive some means by which to support himself while he is in the act of production before the product of his labor can be sold or exchanged, he undertakes a wage contract. Under the threat of hunger and the wage contract, the worker is exploited by the capitalist. The wage he receives from the capitalist is a fraction of what he produces, while the remainder of his production – the surplus – goes to the capitalist who need not exert any effort.

The so-called surplus under this theory (rather than rent on land and interest on capital goods) is attributed to two factors – one economic, the other legalistic. The economic factor is the division of labor. Under this system a worker can produce more than he requires for his subsistence, enabling others to share in the fruits of his labor. The legalistic factor stems from the private ownership of land and capital goods. The workers generally do not own these two factors of production – land and capital goods – and consequently, they are forced to enter into a contract with the owners, thereby relinquishing a part of their proceeds. The power which compels them to accept the wage contract is hunger.

This exploitation theory has led to two kinds of laws, both of which tend to inhibit competition and maintain the status quo, hindering the entry of new companies into such industries as auto manufacturing or steel characterized by one or more large corporations. In the event that new companies do manage to enter the field, these laws make it very difficult for them to become large enough to pose a serious threat to those corporations that are firmly entrenched.

Intervention by Taxation

The first group of laws are those designed to redistribute the wealth by taxation. These laws rest on the view that the capitalists get rich by exploiting the workers and

[2] See *The Exploitation Theory* by Eugen Böhm-Bawerk (South Holland, Illinois: Libertarian Press, 1960).

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the workers are poor because they are exploited by the capitalists; taxing the capitalists to pay for certain goods and services for the indigent workers would help to alleviate the gross injustice. Hence, the graduated income tax and high taxes on profits.

These laws, with their high tax rates on higher incomes and profits, make it very difficult for a new company to accumulate the capital for expansion. Try to imagine under present tax laws a "Henry Ford" starting on a shoestring and accumulating the necessary capital to threaten the positions of General Motors and Chrysler. As his profits increase, so do his taxes; instead of plowing his profits back into his business (as did Henry Ford), he would face increased taxes and have nothing left for expansion.

One doesn't begin a large company, he starts a smaller one; if it is profitable, he expands accordingly. If his profits are high, he has that much more to pump back into the corporation. If his profits are low, he may expand little, if any. Current high taxes on profits diminish the possibility of expansion.

High tax rates on profits also encourage larger companies to seek a tax break by buying marginal companies, those that are barely making a profit or actually losing money. The more money the marginal company loses or the less it earns, the bigger the tax advantage.

Money tends to flow to those investments which offer the highest rate of return – interest and profit. The higher the potential risk, the greater the potential return needed to compensate for that risk. A newer company would have to offer a potentially higher profit as an incentive to attract investment capital, since the investment risk would be greater than that of an established company. The stiff taxes on profits would, of course, reduce the potential profit and add to the difficulty in starting a new company.

So, the income tax makes it difficult to start a new company of any appreciable size or to expand an existing one. The result can be observed in the decrease in competition in those industries with large established companies. New companies are discouraged from entering the field. Established companies may lack the pressure for innovation, tending to become bureaucratic and stagnant.

Competition encourages innovation and change for the sake of improvement. A large company, even though it may enjoy a large proportion of the market, must continue to improve old products

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and introduce new ones in order to keep pace with competition. Consider, for instance, the case of the Ford Motor Company. In the early 1920's, Ford had 55 per cent of the market. That lead had dwindled in five years to about a third; consumers valued other automobiles more, even though they cost almost twice the price of a Model T. Henry Ford's competitors were offering a closed sedan in a variety of colors, while the open-topped Model T came in, to quote Henry Ford, "any color you want so long as it's black."

With the possible exceptions of the utilities and public transportation, there is in the United States today no company holding a competition-excluding (coercive) monopoly. This being the case, there is still some innovation and improvement in the products being offered for sale. But the growth of bureaucratic structure, independence, and innovation have diminished.

The stagnation and bureaucratization can be observed in the structure of large companies, not only at the corporate level, but at the departmental level as well. Just try to find someone to listen to an idea that would alter the power structure appreciably or diminish any of the "spheres of influence" in the company.

Many managers, instead of encouraging innovation, prefer to play it safe. A common rule in business today: "Don't rock the boat." Recently, a former vice-president of GM was hired by the Ford Motor Company to make changes in that company from the top down to increase their share of the market; he only succeeded in getting himself fired because his suggested changes seemed to intrude into other executives' "spheres of influence."

Privileges for Unions

The second group of laws which grew out of the exploitation theory were those designed to protect and promote labor unions. The arguments advanced for "protective labor legislation" centered on the issue of the wage contract and the hunger of the workers versus the greed of capitalists. "The only thing that the capitalists care about," it was argued, "is their profits; as long as they can increase profits by exploiting the hard-working laborers, they will do so."

Supposedly, the worker needed some defense, some way to correct the unfairness and alleviate his suffering. Legislation such as the Norris-La Guardia and the Wagner Acts strengthened the bargaining position of the unions and led to the powerful position which they enjoy today – not the power

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derived from efficiency and excellence of performance in competition, but power to exclude competitors by government-like coercion.[3]

The unions acquired their coercive monopoly through laws which remove labor disputes and union violence from the jurisdiction of the courts and place them in the hands of a special and sympathetic National Labor Relations Board.

When a group of laborers organize and strike, they can prevent the company's hiring other men to take their places and also can and do resort to violence or threat of it to keep all workers off the job.[4] This, of course, makes it difficult for a company to win in a dispute with a union.

The excessive wages and benefits demanded by these unions make it difficult for a new company to get off the ground as a going concern trying to accumulate capital for expansion.

It can readily be observed that for manufactured items it costs more per unit to manufacture the first one than the second, and as the quantity increases – up to a certain point which varies according to product and production method – the unit cost goes down. This being the case, smaller companies have to be more cost-conscious than their larger competitors; the larger companies, having a bigger share of the market, produce more items over which to spread the cost.

Both the prolabor legislation and the tax laws, by protecting the larger and established companies, bring about a lessening of competition. This reduction in competition encourages stagnation and leads toward bureaucracy in industry, and eventually toward the corporate state.

Because of the expansion of government and its increased control over industry, two separate but interwoven trends become discernible, both contributing to the bureaucratization of business. The first is the spectacle of American industries vying for government contracts; the second finds businessmen fawning upon government officials with their complex edicts and laws.

The Growth of Government

The growth of government contracts also is rooted in the exploitation theory. If the capitalist would exploit his workers as work-

[3] For further discussion of monopoly power, see *Man, Economy and State* by Murray N. Rothbard (Princeton, N. J.: Van Nostrand, 1962) and *Human Action* by Ludwig von Mises (New Haven: Yale University Press, 1949).

[4] For documentation see the reports by Dr. Sylvester Petro: *The Kohler Strike* (Chicago: Regnery, 1961) and *The Kingsport Strike* (New Rochelle, N. Y.: Arlington House, 1967).

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ers, wouldn't he also exploit them as consumers of goods and services? The belief that he would has led to public schools, government assisted medical care, farm subsidies, and innumerable other welfare programs.

Once the government begins to provide goods and services to some at the expense of others, each step of such intervention and subsequent taxation tends to disrupt the economy and lead to more and more regulation until the whole market structure collapses into total government control, as in Italy and Germany between World Wars I and II.[5]

How Bureaucracy Is Controlled

There are two ways in which a bureaucracy is controlled – the first is the law; the second, the budget. If a bureau doesn't spend all the funds allocated to it, its budget for the following year is reduced. Hence, to get more money the following year, the bureau must spend all that was allocated to it.[6]

This increase in spending has in many instances led to a proliferation of government programs. One need only look at the public assistance programs, at the increase in both the amount spent and the number of programs today compared with ten years ago to see the application of this principle.

This increase in government supplied goods and services naturally increases the number and dollar value of contracts being offered to industry. The vying for government favors in the form of contracts encourages industry to hire ex-bureaucrats as executives because of their influential contacts in the government; a certain result is bureaucratic management in industry.

Bureaucratic management doesn't measure performance by profits, but on how well a department follows the laws or rules and stays within its budget. A department that makes profits can measure performance by its profits and make rewards accordingly, but how is one to measure performance in a bureaucracy? In a bureaucracy one is normally promoted by one of two standards – seniority or personal friendships and influence. Neither of these standards encourages independence or initiative.

Performance and Profits

The method of promotion which does encourage innovation and in-

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[5] For further discussion of the inherent instability of "the mixed economy," see *Socialism* by Ludwig von Mises (London: Jonathan Cape, 1969).

[6] For further insight into bureaucratic behavior refer to *Bureaucracy* by Ludwig von Mises (New Rochelle, New York: Arlington House, 1969).

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dependence is by performance; and performance is measured by profits. While profits naturally serve as an incentive, they also serve as a form of economic calculation which can be used to demonstrate to the entrepreneurs the demands of the consumers. If an entrepreneur is successful in forecasting the demands of the buying public, he earns a profit; if not, he takes a loss. This is the market manner in which the most urgent wants of the individuals in society are satisfied.[7]

A manager under the profit system can determine whether or not his subordinates are performing well by the extent of black ink shown on the ledger of that department. If the department does well, its manager is rewarded accordingly. If a department manager is rewarded for successful performance, it behooves him to reward those individuals under him who contributed most to the success of his department to encourage increased innovation from them and to serve as incentive to others to do better than before.

How Bureaucracy Grows

Bureaucratization in industry is aggravated by a complexity of the laws, causing many large companies to hire a staff of lawyers and tax accountants whose performance can't be gauged by normal industry standards – profits. This necessarily leads to the application of bureaucratic techniques to that department or group. There is no method by which to gauge the performance of the lawyers and accountants whose job it is to interpret and suggest methods to avoid lawsuits from interventionist measures and tax laws.

One can't determine success in negative terms of the lawsuits and tax suits not brought against the company. How is one to know how many lawsuits or tax suits might have been instituted against him? But he can know the amount of his profits or losses resulting from a particular policy or from the production of a certain product.

Thus, the lawyers and accountants who apply and interpret interventionist and tax laws add to the expansion of bureaucratic techniques in industry.

Since bureaucracy represents power, it follows that just as the Federal bureaucracy continues to expand, so will corporate bureaucracy. Bureaucracy in government has a vested interest in new laws and new bureaus to expand its power. In industry the vested interest lies in the acquisition of other companies. Thus, the arrival

[7] *Profit and Loss* by Ludwig von Mises (South Holland, Illinois: Libertarian Press, 1951).

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of a new phenomenon – the conglomerate corporation.

Reasons for Mergers

Conglomerate mergers are of two general types: (1) the bureaucratic-power-structure type, and (2) the tax-avoidance type. The former will supply the management for the newly acquired company, while the latter usually leaves the acquired company as before, with respect to both the management and operation.

It isn't mere coincidence that the conglomerate merger and the bureaucratization of industry recently have arrived together on the economic scene. These two – bureaucratization and conglomerates – have the same relation as germ and disease. It is the growth of bureaucratization in industry toward an increase of its "sphere of influence" that encourages the absorption of other companies. The bigger a company, the greater its "sphere of influence"; the greater its "sphere of influence," the more power it has.

In the tax-avoidance type of conglomerate merger the goal is the absorption of smaller companies which report operating losses or very low earnings, thus affording the parent company a tax break. In this type of merger, the parent company usually leaves the absorbed company intact, including its management structure.

If the trend toward conglomeration continues, the theory upon which rests our complex and contradictory antitrust laws[8] will be proven accurate, namely, Karl Marx's Concentration Theory. This theory states that companies will grow and grow by absorbing other companies, and competition will diminish until a "General Bull-moose" emerges who will control everything. This, Marx goes on to say, will finally break down and a communistic state will emerge from the ruins. This theory seems to describe today's trend toward fewer companies controlling a greater and more diversified production of goods and services. The mistake by Marx in this context is that he attributed the trend to the unhampered free market, whereas it stems in reality from the very controls Marx advocated.

The Mixed Economy Is Unstable

The grave danger in the merger trend is that the underlying structure is inherently unstable and leads to further government intervention in the economy and a further erosion of freedom. This unstable mixture of freedom and controls necessitates further intervention and inflation to support

[8] See *Ten Thousand Commandments* by Harold M. Fleming (New York: Prentice Hall, 1951).

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and maintain it. An example here may help to illustrate how these controls lead to still further controls, and so on until the economy collapses into total collectivism.

"Milk costs too much for poor people to pay; let us set a ceiling on the price of milk to lower it to a level which they can afford," argue the bureaucrats. This does lower the price, but it also has the further effect of lowering the profits of the milk producers. These lower profits drive out of business the marginal or least efficient dairy farmers, resulting in a decrease in the supply of milk. Next, the bureaucrats suggest, "Let us pay a subsidy to the dairy farmers to encourage the production of a sufficient supply of milk." This tends to encourage producers from related industries to shift their resources and energies to the production of milk. This increases the quantity of milk which tends to drive down the price, again to the detriment of the marginal producers. So the bureaucrats in typical fashion increase the amount of the subsidy. Increasing the supply of whole milk also may decrease the supply of butter, cheese, and related products, which leads to intervention in those areas, and so on ad infinitum. How such intervention is accompanied by inflationary boom and eventual collapse need not be detailed here.[9]

If this trend is to be reversed and freedom regained, it will have to be through an understanding of moral issues, specifically the morality of freedom and its consistency with the nature of man and the practicality of the free market.

Coping with the Problem

To cope with the problem of the conglomerates, it is necessary to try to understand and attack the root causes. One doesn't reverse statism by fighting specific laws nor cure a disease by fighting the symptoms. To reverse statism, one must get at its roots. Since the root of any political system is the moral code upon which it rests, that moral code must be understood and challenged.

But simply understanding the moral code of statism, security and dependence, is not sufficient; one must *understand* and *practice* the moral code of capitalism, *freedom* and *independence*. The best way to prove a point is by demonstrating it; the best way to prove the validity of a moral code is by practicing it. The place to begin is with self-education and demonstration.

[9] See *America's Great Depression* by Murray N. Rothbard (Princeton, N. J.: Van Nostrand, 1963).

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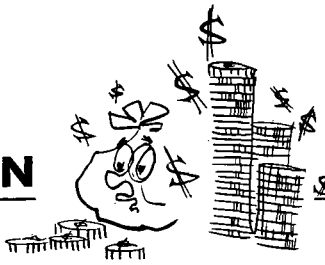
INFLATION

JOHN A. CLARK



AS EVERY ENGINEER KNOWS, there is no point in trying to solve a problem until it is at least defined and its controlling factors are identified. To this correspondent, monetary inflation or simply inflation, with which we are all familiar, is an example of a problem which seems to be very poorly defined and its causes not well described. If we are unclear as to the basic causes of inflation, there is little hope that any actions taken by the government, industry, or labor will be of much help in curbing its erosive effect. Judging from discussions in the public media, it appears that a great deal of confusion exists on this question of such fundamental importance to our economy. Possibly this is one reason why so little progress has been made over the years in halting the sliding value of the dollar. There would be great benefit to everybody if the public had some clearer understanding of the causes of inflation.

The purpose of this communication is not only to express a certain viewpoint but also to stimulate some serious inquiry and discussion of this subject. There is no substitute for clear thinking and a rational and objective search for cause and effect relationships on this question. The writer does not pretend to be trained in economics but is experienced, as are most people, in some of its practical aspects.

Without intending to oversimplify the problem, let it be stated

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that inflation results primarily and directly from an increase in the supply of money and credit and has no other basic cause. It often is said that an increase in prices and wages (a wage is itself actually a price, the price of human effort or labor) is inflationary. Just how this is achieved has always been baffling to this observer. Increases in prices and wages by themselves cannot increase the supply of money or credit. Hence, one wonders on what basis their increase can be considered inflationary.

However, it is our general experience that "inflation" has always followed the various rounds of wage and price increases. Since it is the Federal government alone that has the exclusive right to print money and issue other types of money credit through the Federal banking system, one should suspect that it is the Federal government that is solely responsible for inflation.

A Feedback Principle

In a free-market system, increases in prices or wages simply diminish the competitive edge which a product or service may enjoy. The consumer either decides to pay the increased amount or, in competition with his other desires for products and services, he declines to pay. In the latter instance, a producer must cut his production, labor force, and prices until his product can again become competitive in the market. Such a system has an automatic, built-in, and stable feedback loop operating on the critically important signals from the market – prices.

Unfortunately, today's market is not free in the sense of prices, wages, and money supply. Because of its unique monopoly on the issuance of money and money credit, the Federal government can and does interfere with the freedom of the market. This interference takes the form of upsetting the significance of the market signals – prices – by the printing of more money or granting of more credit than is really justified by the demands of the market. The natural consequence of this increased supply of money and credit is a corresponding increase in prices accompanied or followed closely by an increase in wages. As a result, whatever gain was accrued or thought to have been accrued by a wage increase is only temporary and is soon wiped out by the price increases. This sets the stage for another similar cycle of inflationary actions.

Another factor, similar in its effect, is the resort to the printing of money and issuance of credit to pay for the programs of the Fed-

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eral government. The massive welfare programs, agricultural subsidies, and military expenditures are included in these.

One could argue that, so long as wages kept pace (or nearly so) with prices, money supply questions really make little difference, since by increasing the money supply wages and prices are more or less kept in balance. This would probably be true, if we all conducted our economic affairs on the basis of direct cash exchange for goods and services, something like Robinson Crusoe might have done, without any thought or planning for the future.

However, that is not the way people live. Economic life consists of investments and financial contracts, such as life insurance, mortgages, annuities, and the like, having a fixed dollar value which are usually started many years before they are paid out. In these instances it is clear that inflation has a disastrous effect on the real value at maturity. Consider what the real value a $5000 life insurance policy taken out in 1940 has when cashed in 1970 in terms of the value of the money paid into it during the 30 years it was in force. Inflation has a similar effect on individuals living on fixed incomes, as is well known. This is perhaps the single greatest concern for older and retired people.

Search for Scapegoats

If the Federal government is the ultimate culprit in causing inflation the question is: Why does the government plead with the labor unions and industry to stabilize prices and wages when increases in these alone cannot cause inflation? The answer is partly political. If the government did not print more money and issue more credit, there would be insufficient funds to pay for the sum total of products and services at their increased prices. This would cause unemployment, it is argued, and probably undesirable and immediate political consequences.

Rather than waiting for appropriate market responses to price and wage increases, the Federal government unbalances the market with a flood of new money. The consequence of this is a general suffering by all, with the severest penalties being borne by those who are prudent, frugal, and thrifty and desire personal independence. Thus, not only are there purely economic questions involved here, but moral ones as well, since inflation discourages savings, investment, future planning, retards the spirit of careful husbandry of one's resources, and causes a loss in personal independence and self-reliance.

Accordingly, the thesis here is that inflation is really caused by

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the artificial production of money and credit by the Federal government. Further, inflation will stop only when sufficient political courage is generated to reduce the Federal financial obligation and to resist the temptation to economic expediency by simply printing more money and issuing more credit. Monetary inflation is a political disease which affects everyone adversely and is a direct result of government interference in the market place. The cure for this malady is increased freedom in the market, where voluntary and natural exchange is possible, and where all men are free to conduct any transaction so long as it is peaceful.

IDEAS ON LIBERTY

Unlimited Power

IF CONGRESS can apply money indefinitely to the general welfare and are the sole and supreme judges of the general welfare, they may take the care of religion into their hands; they may establish teachers in every state, county and parish, and pay them out of the public treasury; they may take into their hands the education of children, establishing in like manner schools throughout the Union; they may undertake the regulation of all roads other than post roads. In short, everything from the highest object of state legislation down to the most minute objects of police, would be thrown under the power of Congress. For every object I have mentioned would admit the application of money, and might be called, if Congress pleased, provisions for the General Welfare.

HUGH WILLIAMSON of North Carolina,
Member of the Constitutional Convention, 1787

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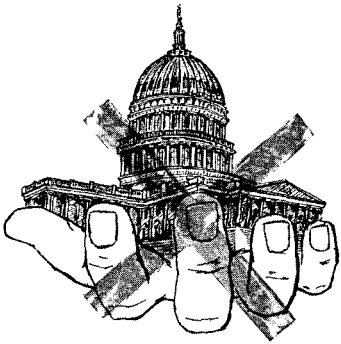

The Age of Authoritarianism

ROBERT K. NEWELL

THE THEORY of authoritarian government dominates all modern political societies. The theory states that individuals – or even individuals of like mind working voluntarily in concert – lack the scope of vision and means at their disposal to identify accurately their own best interests and to pursue them through individual effort. Therefore, the argument continues, all governments possess an intrinsic right to demand from those governed the authority necessary to direct human effort and resources toward the accomplishment of prescribed social goals.

The widespread assumption is that governments by their very nature have the wisdom and power to achieve these goals. People from all corners of the earth have come to regard the loss of political freedom and introspective moral motivation that has accompanied the relentless march of authoritarianism as a necessary inconvenience that must be accepted in order to insure economic and social stability and to maintain the delicate balance of international terror that has come to be known loosely as world peace. Governments are freely allowed to increase their already vast authority due to the popular assumption that increased governmental power more rapidly will bring solutions to human problems. But, the illusive goals now seem more remote than ever.

Governments can, by decree, create temporary illusions of economic prosperity simply by manipulating the value of currency through inflation and interfering with the free market exchange of private enterprise. But the illusions of economic prosperity artificially produced by disrupting

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the basic laws of supply and demand are cruel indeed. Once the inflationary cycle has run its full course and currency becomes worthless, history amply indicates that the inevitable result can only be complete economic disaster and social upheaval.

Governments claim also to be the authors of civil order and social stability. The theory is that more stringent laws and more vigorous law enforcement, when coupled with more equitable welfare programs, can produce more responsible citizens. However, history and statistics seem not to support this hypothesis either. On the contrary, overt acts of passion and violence and especially crimes against private property have reached alarming and steadily increasing proportions. The trend toward the disregard for private property rights is world-wide. But the nations that are experiencing the most shocking increase in such crimes are the very nations that most enthusiastically have attempted to substitute government paternalism for individual responsibility.

There are, of course, in every community a few citizens who lack the mental capacity and moral judgment to live in civilized association with their fellow men. These few must be adjudged socially irresponsible and dealt with accordingly. But the vast majority of people do have the ability to make rational and moral decisions. The dramatic surge of criminal activity that so alarms the civilized world can only be attributed to a fundamental change in basic attitudes toward the once-cherished concept of private property.

The Socialist Formula

The political precepts of all modern societies, in varying degrees, center around the Marxist governmental philosophy that every citizen must produce for society according to his ability and is entitled to receive from society in accordance with his needs. Governments simply function as economic intermediaries between the productive and the nonproductive elements of society and determine each citizen's capacity to contribute to the general welfare and the basic human needs that must be provided by the benevolent state.

New generations raised under this philosophy of economic distribution carry with them the ingrained notion that private property is only that portion of the national wealth that government arbitrarily decides is not immediately needed to promote the general welfare. Citizens morally raised to believe that they are, regardless of effort, entitled by birthright to their fair share of

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the national wealth often are inclined to hold exaggerated views of their fair share. When, in their judgment, governments fail to move equitably enough or swiftly enough in the redistribution of the national wealth, it is only a small moral hurdle for these citizens to circumvent the often ponderous political processes of redistribution and appropriate "their fair share" more quickly by preying directly upon other citizens.

Civil order and social stability are not dependent upon laws and punitive reprisals, as governments are inclined to suggest. Only the criminally irresponsible can be controlled by such clumsy and ineffective devices. Rather, civilization ultimately depends upon the personal character of the morally responsible people who comprise the vast majority of any society. Once the general public becomes disoriented from the concept of private property, no amount of law and law enforcement can promote and ensure life, liberty, and domestic tranquility within society.

Of equal concern to modern man as he looks apprehensively toward his government for direction are the ever-present problems of war. Since the dawn of political history, coalitions of governments have aligned themselves dramatically behind transitory issues. Forcibly conscripted armies have done battle with the enemy. But the survivors find that in the next decade as governments form new alliances and set the stage for the next war to ensure world peace and human freedom, hated enemies have been transformed through propaganda into warm allies; conversely, former allies have become identified as hated enemies. The tragedy of the military approach to human problems is that, after all of the sacrifices of countless millions of people in endless politico-military confrontations, humanity has found neither peace nor freedom. The survivors always are faced with even more perplexing problems than those that have been surmounted.

The Power to Rule and to Conscript Armies

All governments, regardless of their basic structure, philosophy, or method of perpetuation, share two common characteristics: (1) the oligarchic power to rule in a specific geographic area and (2) the unquestioned authority to conscript armies in order to extend or to defend such power in the endless game of altering geopolitical boundaries. Both peace and freedom depend entirely upon moral and responsible relationships between individuals. The

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amoral and irresponsible relationships between governments—whether they be allied or placed in opposition to each other by the dictates of fleeting expediency—never can provide mankind with a hopeful future.

The politico-military war syndrome systematically destroys each newborn hope for world peace by first destroying political freedom and subsequently destroying the capacity of individuals to function as free moral agents. The war syndrome compromises human freedom by conscripting armies, instituting confiscatory taxes, increasing inflationary public debt, silencing opposition under the guise of necessity, and coercively diverting human energies into nonproductive and immoral channels. These processes in turn, by their very nature, further subjugate humanity to authoritarian political domination. Even in nations that profess to govern themselves constitutionally, the discretionary powers of the executive branch are extended arbitrarily whenever the international military situation can be used to justify such a course of action. When followed to its ultimate conclusion, the entire world-wide politico-military process, rather than ensuring peace, can only intensify human problems. This is done by forcibly converting the morally responsible citizens of the world into acquiescing patriots under the complete domination of the autocratic few.

In all of the war-torn lands of the world, and Vietnam in particular, the governments involved seek in vain for areas of even superficial agreement. The fighting, killing, wanton destruction, and subhuman barbarism, for the most part, is performed on behalf of the governments of both sides by forcibly conscripted soldiers. The fact that all governments now are forced to depend increasingly upon conscripted armies to carry on the heinous and barbaric activities of war is a most hopeful sign that authoritarian domination of the human moral climate is on the wane. The moral introspection of individuals is quietly moving on the world political scene.

As mankind faces the problems of the future, there still is a strong tendency to search for solutions in the political ideologies that glorify the all-powerful politico-military state. But the great problems that confront mankind, whether they be economic, social, civil, or moral never can be resolved satisfactorily by such methods. The only true and permanent solutions must be founded on human relationships that have developed through the introspective morality of concerned individuals.

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Bet Your Life?

PAUL L. POIROT

WHILE three top-level government executives who make up the board of trustees of the Social Security trust funds were preparing their 1970 report, a top-level official of the Social Security Administration was assuring us: "You have every right to expect that they'll find Social Security as sound in 1970 as it was in 1969."[1] How often we've been assured of those twin certainties: death and taxes!

After 33 years under a Social Security tax that has galloped from 2 per cent on the first $3,000 of earnings in 1937 ($60.00) to 9.6 per cent on the first $7,800 of earnings in 1970 ($748.80), why should anyone doubt that it's here to stay? What these experts are really trying to tell us is that there must be something sound about a tax that yielded $26.6 billion of revenue in fiscal 1968 and $31.5 billion in fiscal 1969 – sound enough to bet your future on it. And the reason why Social Security doesn't have to build up reserves or be fully funded, as does a private insurance plan if it is to be actuarially sound, is that taxpayers are automatically drafted and have no way to avoid paying the Social Security tax. They simply keep on paying – and at ever-rising rates!

So, when the experts tell us about the soundness of Social Security, they aren't talking about the actuarial soundness of an insurance program fully backed by invested reserves; they're speaking rather of the certainty of taxes – saying in effect: There's no more chance of a taxpayer revolt next year than there was last year.

The 1970's will mark the 200th anniversary of the latest effective taxpayer revolt in this land of the free. Perhaps there is little chance that it might ever happen again.

Yet, the percentage of earned income of individuals taken by government in 1970 is about double the rate of a third of a century ago when Social Security began. How sound is it to bet your life on tax revenues that will have to be collected at that high and accelerative rate?

[1] Russell R. Jalbert, "Sound Financing at Work," in the December-January, 1970, issue of *Modern Maturity*, p. 39.

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Christian Charity versus Government Welfare

THOMAS L. JOHNSON

THE IDEA that government-sponsored welfare programs to assist the needy are compatible with, and justified by, Christian philosophy is probably the most widespread erroneous belief that permeates American society, and is hastening the destruction of freedom in the United States. This tragic flaw in the thinking of both well- and uneducated Christians has already brought misery to millions, and if this thinking persists in this country, it will result in economic chaos followed by political totalitarianism.

Government welfare programs, even those providing temporary relief, are in complete opposition to, and destructive of, acts of Christian charity and are totally inconsistent with Christian tradition.

Dr. Johnson is Associate Professor of Biology at Mary Washington College of the University of Virginia.

One of the fundamental tenets of the Christian church is that the human is a creature possessing free will. It is because of the Christian recognition that man has control over his actions by means of his own will, that he is considered responsible for all of his actions. (Our system of jurisprudence is built upon this foundation.) It is also held that for a Christian to perform an act of charity and to gain the spiritual rewards for this act, it must be performed by the deliberate intent of the individual. An act of charity – an act of helping those in need – can only be a Christian act when it involves the application of free will.

It is the concept of free will that is absent from all forms of government welfare.

A government, by its nature, can only act by means of force. The first act of a government is a

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legislative one – the passing of laws – followed by the carrying out of these rules of social behavior by the executive and judicial branches. The government possesses a legal monopoly in the use of force in executing its duty of seeing that citizens obey the law, and in punishing them if they do not. Thus, the essence of government is coercion.

Opposing Procedures

Force and free will are opposites. Government welfare programs which are executed by means of law and the enforcement of this law, i.e., by the threat or application of force, are diametrically opposed to Christian acts of charity which must be performed by an act of the individual will.

Many Christians consider the support of government welfare programs to be consonant with the tenet of free will, and one often hears the expression: "I am a taxpayer, and therefore I think that such and such a program should be supported by tax money." Such individuals forget the fact that taxation is not a matter of individual choice and that all men are bound by law to pay taxes. They also forget that although they should have the right to designate how their own property is dispensed in charitable ventures, that they do not have the right to make this choice for other men. A majority voting for a welfare program supported by tax money is inconsistent with Christian behavior, for it abolishes the act of choice (free will) of all those who voted against the program. (Such matters should never be brought to a vote for no man has the right to force others to support a welfare project.) True charity, without choice, is an impossibility, and when attempted, negates the concept of Christian love.

Every Christian realizes that he does not have the right to perform an act of charity at the forced expense of his neighbors – that he does not have the right to enter another's home and steal property that he intends to use in a charitable venture. But when the act of stealing is impersonalized by authorizing, by way of a vote, an established agency (government) to perform the confiscation for him, he loses a conscious awareness of the immorality of this practice.

As government welfare activity continues to expand at a phenomenal rate of speed, greater sums of money are required to support this "charity-by-force" undertaking. Taxation thus remains at a high level, with more of the tax dollars diverted to welfare programs, leaving little money in pri-

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vate circulation which can be used for Christian charity. Government welfare action is, of necessity, destructive to Christian giving and will almost completely stifle voluntary acts of benevolence if the present trend continues.

Misguided Sense of Charity Supports Coercive Measures

Because of a lack of understanding of one of the basic premises of Christian belief – that of free will – and its application to acts of charity (welfare), most well-meaning, but misguided, Christians have vigorously or silently supported government welfare programs. Others, observing the disastrous consequences of legalized welfare – the demeaning of the human spirit and the creation of parasitical degeneration, as well as the enslavement of the productive members of society who are required, by law, to provide support for welfare recipients – do not wish to continue to uphold the cause of this evil (government welfare legislation). But they feel a strong sense of guilt if they do not do so, and fear that if they oppose government welfare they will be considered as unchristian. In reality, nothing could be further from the truth.

Any Christian who does not openly and vehemently denounce all forms of government welfare, cannot, in truth, call himself a Christian, for government welfare is the antithesis of Christian charity. Government welfare operates on the premise of force, whereas Christian charity can only exist where there is freedom of choice – where there is an act of the individual will. Since government welfare programs are outside the control of the individual, and thus outside the realm of free will, they are outside the province of Christian morality and are consequently evil, and must be condemned by all moral men.

It is not only the right, but the duty, of every Christian to actively seek the demise of all government welfare programs, for they are in total conflict with the Christian doctrine which recognizes man as a being possessing free will – the fundamental premise upon which all Christian morality is based.

IDEAS ON LIBERTY

Goethe

TREAT people as if they were what they ought to be and you help them to become what they are capable of being.

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John Adams

IT IS FOREVER being rediscovered that the American Revolution and the French Revolution were not birds of a feather. But the differences, which were profound, have not been communicated to the young. It is not only the Yippies, the Students for a Democratic Society, or the Black Panthers who try to make the American Revolution the spiritual ancestor of a thousand anarchic or collectivistic rebellions that have occurred since the Declaration of Independence in 1776. How many times have we heard it said, by Peace Corpsmen or whoever, that we should back the agrarians here, or the socialists there, because they are in "our tradition" of antipathy toward despotism? The assumption is that we should always be for rebellion for rebellion's sake, in the manner of the New Leftist defendant in Chicago who lectured Judge Hoffman for being an incarnation of King George III.

The fact is, however, that we have never had a revolution in America. Our war of independence was, as Peter Drucker pointed out a long time ago, an essay in counterrevolution, designed to save, or restore, a status quo founded on the English Common law, the Magna Carta, and the various petitions and declarations of right, that were, presumably, the possessions of any freeborn Englishman no matter on what side of the ocean he happened to reside. It was King George III who was the revolutionist.

Peter Drucker and Isabel Paterson told us this in the nineteen forties, Russell Kirk said it over again in 1953 in his *The Conservative Mind,* Samuel Eliot Morison always believed it, and now Anne Husted Burleigh gives it a vibrant documentation in her biography of our second President and greatest advocate of "liberty under law," *John Adams* (Arlington House, $7).

A Rebel in Spite of Himself

This is a book that wrestles with tough distinctions very much as its hero, a ruddy, compact, puri-

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tanical, Braintree, Massachusetts farmer and lawyer, wrestled with them through a long lifetime as a rebel *malgré lui.* Mrs. Burleigh knows how to take off on pleasant and flavorsome passages, as when she writes about John Adams' return after ten year's absence in Europe to his Braintree fields to help move stone fences, inspect the orchards, and transact for new salt marsh acres along the shore south of Boston. But the circumstances of history necessarily made John Adams' long life a progression of duties, disputations, and defiances, and there isn't room or time for too much dalliance by the wayside. I would have welcomed more about the tartly refreshing Abigail, Adams' wife, or about his sons, especially young John Quincy, but if this had become a "life and times" sort of job it would have had, willy nilly, to expand into ten volumes.

The Advocate and Philosopher

Cleaving to the main thread, Mrs. Burleigh focuses her attention on Adams, the advocate, and Adams, the political philosopher. The men who made our Revolution had a most difficult job: they had to risk unchanging passions and, at the same time, maintain the instruments of law necessary to keep freedom from degenerating into anarchy, and anarchy from breeding despotism. The idea was to preserve and to give new form to what was every Englishman's birthright. Like others in the party of liberty, Adams did not want to split off from England. He wanted to bring the British parliament to an admission that, as long as the colonists were not represented in Westminster, they should, as freeborn British citizens, be permitted to tax themselves. The colonists, according to the Adams view, owed their allegiance not to parliament but to the King.

A Beclouded Issue

The trouble was that the King himself had taken over parliament, so the distinction between duty to the legislature (in which the citizens of Massachusetts, Virginia, and New York were unrepresented) and duty to the Crown was meaningless. As a matter of plain fact, the American patriots had more friends in the House of Commons and even in the Lords than they had at George III's court. Chatham and Burke and Fox and Shelburne tended to agree with John Adams that the King's party in parliament had forgotten that the Commons itself had once revolted against taxation without representation. If the King could not be appealed to as a defender of Boston, New York, Philadel-

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phia, and Williamsburg colonial Britishers against parliamentary usurpers, then legality itself demanded armed resistance.

So the die was cast, largely because John Adams' rigorous logic could not be dodged by the group of men in Philadelphia who were determined to hang on to their British rights. By this time John Adams had begun to talk more about natural rights than the rights of Englishmen. He had come to see that he must base his political thinking on the nature of man, not on the accidents of historical development in one small island off the northwest coast of Europe.

Natural Law

Mrs. Burleigh has, inevitably, to come to grips with two varying eighteenth century conceptions of natural law. The French revolutionary philosophers did not go to human history to discover what was distinctively and naturally human; they tried to base their theories on the new sciences. Adams took the older tack, one that would have been understood by the Roman stoics, or St. Thomas Aquinas, or the Greeks themselves. He knew there was a moral sense in man that transcended physics. Even while he was performing his diplomatic duties for his newly fledged nation in London and the Netherlands Adams was busy working up an answer to the Frenchman Turgot's theories that a simple democracy, with the executive, legislative, and judicial functions united in a single assembly, was the appropriate governmental form for a free people. In three volumes Adams proved to his own satisfaction – and incidentally to his fellow patriots – that an all-powerful unicameral legislature would quickly degenerate into a tyranny of the majority, with faction despoiling the propertied and all pursuit of virtue coming to a halt along with the efforts of the individual family to achieve self-reliance. The first of Adams' three volumes came out in time to affect the deliberations at the Federal Constitutional Convention in Philadelphia. It had a big influence.

The Presidential Years – and Beyond

Adams, an indifferent politician in the party sense, had a rather miserable time as President. He was never easy in his own mind about enforcing the Alien and Sedition laws which the extreme Federalists had forced upon his Administration, he didn't relish a standing army (he preferred naval defense for a commercial republic), and he distrusted the clamor for war with France. He threw

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away a second term in the White House by his moves to end the "quasi-war" with the Paris revolutionary regime, thus splitting the Federalist Party and guaranteeing the victory of Jefferson's Republicans in 1800. Adams had the last word in his battle with the Hamiltonians when he appointed John Marshall, the most powerful Federalist in the South and an enemy of the Alien and Sedition laws, as Secretary of State, and he managed to get his peace with France on American terms.

But after the death of George Washington in 1799, there was no cement to hold Federalists together. The Jeffersonians were to rule for a generation until John Quincy Adams was to become President, the only instance in U.S. history of a son following the footsteps of his father into the White House.

Most books about John Adams — see Catherine Drinker Bowen's *John Adams and the American Revolution,* for example — are content to deal with facets of a life. After all, Adams lived for ninety-one years, and there is reason behind Mrs. Bowen's contention that the "whys" of such a span cannot be explained in a single volume. But Mrs. Burleigh really carries it off. There is much that she leaves out, but the marrow is all here.

▶ MAN vs. THE WELFARE STATE by Henry Hazlitt (New Rochelle, New York: Arlington House, 1970, 225 pp., $6.00)

Reviewed by Bettina Bien

OBLIVION is the fate of most newspaper commentaries, by burial in dusty library archives or by reduction to microfilm. However, at least one economic journalist — Henry Hazlitt — writes commentaries which deserve a better fate. He discusses political policies on the basis of fundamental economic principles which do not change. Government programs may pass out of existence, be amended beyond recognition, or forgotten in the rush of new legislation, but his columns are usually so basic that they would still appear fresh and up-to-date years later if republished then with minor changes in statistics, names, or program titles.

Henry Hazlitt is well known to FREEMAN readers. His *Economics in One Lesson,* first published in 1946, has become a classic, an economics "best seller." Libertarians should cheer this new compilation of his writings.

When Mr. Hazlitt pinpoints the merit or error in an economic problem, it all seems very simple. His ability to puncture the absurdities of interventionist politi-

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cal policies with a single telling thrust is apparent when he talks of minimum wage laws: "We cannot make a man worth a given amount by making it illegal for anyone to offer him less. We merely deprive him of the right to earn the amount that his abilities and opportunities would permit him to earn, while we deprive the community of the moderate services he is capable of rendering. In brief, for a low wage we substitute unemployment — [Thus] it ought to be obvious that minimum wage laws hurt most the very people they are designed to 'protect'." How can anyone comprehend this brief statement and still advocate minimum wage laws? Yet politicians continue to boost the hourly wage rate employers must legally pay workers hired for almost every kind of work. On February 1, the Federal minimum hourly wage for many unskilled jobs was raised to $1.45, up from $1.30. As Mr. Hazlitt points out, this extra 15¢ cost per hour of labor hired must keep some persons from starting new enterprises or expanding established ones, with a consequent loss to consumers of additional goods and services. Those who might have earned a pittance now face a greater likelihood of indefinite unemployment and dependence on the benefaction of government welfare officials, with inevitable loss in morale.

Mr. Hazlitt explains that monetary problems are a product of the welfare state. "The truth is," he writes, "that no solution of the monetary problem, national or international, will be possible until inflation is stopped, and that it will not be stopped as long as we have the welfare state." To promote "prosperity," government officials reduce the interest rate to make it easier for businessmen to borrow. But this tactic fails in its objective for "the lower interest rate encourages more borrowing, which tends to raise the rate again. And the increased amount of money and credit starts pushing up prices and wages. This forces businessmen to borrow still more, if they want to continue to buy even the same volume of inventories and employ even the same number of workers as before, to do the same volume of business." Ignorance of this commonsense truth permitted a "boom stimulated by easy credit and cheap money" to set the stage for the 1929 stock market crash. Ignorance of this simple commonsense explanation persists today among most monetary "specialists."

Mr. Hazlitt describes prices as "indispensable signals" which "must tell the truth about supply

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and demand." Inflation distorts price relationships and so interferes with the calculations of both producers and consumers. Legal controls on "prices" upset calculations also. So do "voluntary restraints" and government "guidelines," for they "falsify the signals and disorganize and unbalance production. Monetary inflation is a dreadful thing. But what does immensely more harm than the inflation itself is the attempt to conceal or suppress its consequences through price and wage controls."

Again and again, Mr. Hazlitt illustrates his basic thesis – that the welfare state destroys incentive. The need to work, produce and take care of oneself, as is expected in a free market, provides the incentive for increasing production, thus improving everyone's welfare. Government programs requiring "that the people who work must be taxed to support not only the people who can't work but the people who won't work" weaken incentives all around. Everyone is discouraged from putting forth his best effort. Producers who face taxes on earnings slow down. The "incentive" of could-be producers to qualify for government handouts is substituted for the incentive to work and be independent. This in turn stimulates the incentive of politicians to garner votes by offering increased government largesse to those who opt to become nonproducers.

In discussing the impossibility of such a situation, Mr. Hazlitt refers to John Kenneth Galbraith's thesis of "private" and "public" sectors. Hazlitt prefers the terms "voluntary sector" and "coercive sector" as more descriptive – the voluntary sector "made up of the goods and services for which people voluntarily spend the money they have earned," the coercive sector "made up of the goods and services that are provided, regardless of the wishes of the individual, out of the taxes that are seized from him.

"And as this [coercive] sector grows at the expense of the voluntary sector, we come to the essence of the welfare state. In this state nobody pays for the education of his own children but everybody pays for the education of everybody else's children. Nobody pays his own medical bills, but everybody pays everybody else's medical bills. Nobody helps his elderly parents, but everybody else's elderly parents. Nobody provides for the contingency of his own unemployment, his own sickness, his own old age, but everybody provides for the unemployment, sickness, or old age of everybody else. The welfare state, as Bastiat[1] put

[1] Frederic Bastiat (1801-1850), French deputy and economic journalist.

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it with uncanny clairvoyance more than a century ago, is "the great fiction by which everybody tries to live at the expense of everybody else." The effect of such a State on incentives – to produce, not to produce, and to compete for votes with offers of higher government handouts – becomes obvious.

The book concludes with two very practical chapters – "The Task Confronting Libertarians" and "What We Can Do About It." Mr. Hazlitt quotes his friend and mentor, Dr. Ludwig von Mises: "Everyone carries a part of society on his shoulders; no one is relieved of his share of responsibility by others. And no one can find a safe way out for himself if society is sweeping toward destruction. Therefore everyone, in his own interests, must thrust himself vigorously into the intellectual battle. None can stand aside with unconcern; the interests of everyone hang on the result. Whether he chooses or not, every man is drawn into the great historical struggle, the decisive battle into which our epoch has plunged us."

The problem is to displace the visions of instant utopia-via-the-ballot-box with voter understanding of the dangers inherent in a State by which everybody tries to live at the expense of everybody else. Unfortunately there is no "instant understanding." It takes time and effort to persuade people that the State is not "a shadowy entity that apparently gets its money out of some fourth dimension. The truth is, of course, that the government has nothing to give to anybody that it doesn't first take from someone else."

▸ DESIGN WITH NATURE by Ian L. McHarg (Garden City, New York: The Natural History Press, 1969, 197 pp. illustrated, $19.95)

Reviewed by Dayis Muth

A READER favorably motivated by this review will face one real problem: getting hold of the book. Not only does it cost twenty dollars but the bookstores can't keep it in and the libraries can't either. The second edition scheduled for April certainly won't last long, so timely is the appearance of a major new work on human environment.

Handsomely laid out, intelligently organized, passionately written, and almost defying brief analysis, *Design with Nature* is the product of a discerning and vigorous mind as it attacks one of the great challenges of our era – how to keep man and nature in balance.

While study of the question goes on apace, Ian McHarg's book, synthesizing and introducing the total "ecological view," may be the

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cream of today's utterances. It is a magnificent, poetic effort, offered simply as "a workman's code . . . an ecological manual for the good steward who aspires to art."

As it becomes accepted, McHarg is sure this view can revolutionize – rehumanize – the American city and landscape. Through sheer truthfulness it is "able to perform prodigies of work." By considering nature as guide and ally rather than mere raw material or enemy, it places pollution, the vanishing wilderness,[1] ugliness, and urban misery all in manageable perspective, and offers workable remedies.

That the author should present this ecological view without driving for large-scale governmental action is part of what merits attention. For McHarg (not without the occasional firebrand hurled over the wall) stays impressively within his competence. He glances at economics and politics – and his impact is such that we should reckon with these glances – but he leaves economic and political concerns largely to his readers.

Whether the public energy, galvanized by such men as he, will be channeled into frantic legislation and freedom-shriveling Federal programs, or into more enlightened individual and community efforts, we are probably at the point of witnessing. Or deciding. If libertarians act on the alarm-signals, thinking through applications of a sound attitude toward nature, environment, and man's responsibility to man in this context, the swelling only-Big-Government-is-big-enough-to-do-it forces may be outwitted. Reading *Design with Nature* will give us impetus.

Ian McHarg, 48, a black-haired, bearded Scot, is founder and head of the University of Pennsylvania's Department of Landscape Architecture and Regional Planning, the vanguard of ecological planning in this country. He is also principal in a Philadelphia firm that enables him to combine theory with far-ranging practice. Already widely known by his writings and television appearances, he is a man in every way equipped to be enormously influential.

Neither in depth nor in detail does his vision lack acuity. He presents ecology in terms as fundamental as religion and as microscopic as bacteria. He delivers a piercing rejection of the "Judaeo-Christian, man-centered theology" that conceives man's dominion as trampling down nature, and searches for a religious concept to support an operating balance between man and nature. Having

[1] For valuable discussions of conservation *per se*, see THE FREEMAN, July, 1962, "Who Conserves Our Resources?" by Ruth Shallcross Maynard; and *Essays on Liberty*, Vol. XI "The Greatest Waste," by Paul L. Poirot.

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adopted a "quietly deferential" pantheism as his own working hypothesis, he defines man's place as within, not above, organic nature: privileged part – and partner – and not conqueror. To him, "subdue the earth" is a sacrilegious phrase.

He would have us understand nature as process; recognize and cooperate with the self-regulating quality of our earthly inventory as did (intuitively) the handful of great eighteenth century architects who designed the English countryside, and as do (philosophically) designers of the Japanese garden tradition.

With devastating logic McHarg points out the irrationalities of most of today's city planning. "The problem," he says, "is to apply *ecological* planning principles and test them against the demands of metropolitan growth and the market mechanism." And this he and his associates do, where they are called. Skillfully mapped and reasoned case-studies, as well as choice photographs, fill the book. One walks step by step through the Staten Island Study, the Comprehensive Landscape Plan for Washington, D. C., the Potomac River Basin Plan, the Richmond Parkway Plan, the Plan for the (Baltimore County) Valleys. One sees the ecological method brought down to earth – or up from it.

Seven postulates are applied in a regional planning situation: (1) Development is inevitable and must be accommodated; (2) uncontrolled growth is inevitably destructive; (3) regional characteristics should govern development; (4) observing conservation principles can avert destruction and ensure enhancement; (5) a given area can be planned so as to absorb all prospective growth without despoliation; (6) planned growth is more desirable than, and as profitable as, unplanned; (7) public and private powers can join in realizing a sound plan.

McHarg's philistines are the fragmentary zoners and planners, rapacious shortsighted developers, highway commissioners with their "narrow purposes," government engineers, parking authorities, irresponsible industrialists, impatient sellers of land, and any others ignorant of the natural processes they affront and blind to all but the short run. Human society, not to mention nonhuman, suffers the blight and waste accumulating from their Goliath unawareness.

His David is the landscape architect-regional planner trained in ecology who can be retained by city or county government, by private industry or by private real-estate syndicate. Through teamwork and exhaustive study this artist-scientist produces de-

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tailed map-transparencies showing every characteristic (both tangible and cultural) of the chosen geographic region. At length he holds up a harmonious plan, "an interfusion of open space and population," – varied, practical, apolitical, and aesthetically pleasing, in which natural processes help with the housekeeping and beauty is self-perpetuating.

A degree of public understanding is needed (as friends of liberty know) to achieve and to maintain rational victories over haste, selfishness, and ignorance. Such understanding, reasons McHarg, will make it possible to incorporate simple ecological lessons into commonsense ordinances and enforce them.

Still, as the libertarian's head turns back and forth between the self-enforcing laws of nature and proposed new human laws, he senses that great caution is required:

> Those who are unaware that government is society's legal agency of coercion, and who, in consequence, believe that it is simply a committee arrangement to accomplish certain social goals, will not be concerned with the problem of government's limitation. To the contrary, they will thrust new functions onto government.[2]

Boundary-dissolving environmental problems and thoughtless human behavior seem to suggest new work for government. But if we keep clear on what are appropriate government functions at each level, what are appropriate areas for intergovernment cooperation, and what threatens to go beyond these into baneful centralized economic and social planning, we can keep from neglecting our hope of government's limitation.

Taking the premise that government's proper role is to inhibit destructive actions, invoke a common justice, and keep the peace, one can only recall the saying of the poet that new occasions teach new duties. Control through city or county ordinance of now-apparent public hazards arising from improper use of air, water, or land would appear to be a legitimate government function – as would adjudication by the courts of individual damage cases.[3] That regional planning councils should gather the information on which this regulation is based would seem to be the logical corollary. Such councils are usually advisory, nonenforcing, and locally funded (at least in part); they are, however, empowered as the receivers and expenders of Federal planning

[2] From "What Can We Know?" by Edmund A. Opitz, FEE School Lecture, July, 1963.

[3] See "Unknown Costs of Pollution," by Howard Callaway, THE FREEMAN, November, 1969.

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grants under various departments of the Executive, with whatever authority those imply.

There is no easy formula, the way things stand. To remain a pure-minded libertarian amidst environmental crises may take a rather careful combination of several ingredients: (a) responsibility for the consequences of one's own uses of air, water, and land; (b) support of community and regional planning endeavors so as to *keep* them cooperative, voluntary, and local; and (c) highly selective endorsement of those elements in national policy which line up with proper use of the police power.[4]

In all three ingredients the concept of private property remains crucial. It undergoes something of a moral broadening when "downstream" and "crosswind" effects of one's use of his property are conceded to be part of the responsibility and cost of ownership. Not that the public claims all resources or has a right to dictate what a man does with his own land. Rather that each man has a moral obligation, implicit in law, to be sure that his uses are wise and do not harm others even indirectly. Private pleasure and the general good will be less at odds when both are measuring against a long-range standard, and ecology can help to make that standard explicit.

If we are solving environmental problems regionally and voluntarily, perhaps the national clamor can be contained, and attempted macro-solutions for these problems can be forestalled.

Without passing judgment on Ian McHarg's theological position, one finds great utility and inspiration in his views. By his own compassionate outlook he illustrates the actual nature of man's dominion over the earth: not arrogant, self-centered, and callous, but self-controlled, humble, aware.

[4] How difficult this last may be under our present thriving conception of national government is suggested in Chapter 1 of Leonard E. Read's 1969 book, *Let Freedom Reign*, "The Pollution Problem."

▶ THE POLICE: DAMNED IF THEY DO, DAMNED IF THEY DON'T by Herbert T. Klein (New York: Crown Publishers, Inc., 252 pp., $5.95)

Reviewed by Robert M. Thornton

A YOUNG FRIEND of mine was stranded in an unsavory neighborhood during the wee hours of the morning. Someone had siphoned gas out of his tank, and on his way home his car stopped. Imagine his relief when a cruiser happened along and the police drove him to a service station and then back with a can of gas. Is this a rare experience, being helped by the

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police? Not at all, but perhaps we need reminding that a large part of police work is helping citizens in distress, and it is one virtue of Lt. Klein's book that it emphasizes all the good and necessary acts performed by the police: looking after lost or strayed children, directing traffic near schools, helping deliver babies, administering first aid to the sick and injured, assisting stranded motorists, giving directions to lost persons, and so on. When we stop to think about it, haven't most of us been in situations where we were very glad indeed to see a shining badge or blue shirt or blinking red light?

This book doesn't offer any sensational exposés, but it does give us an insider's view of how the police force of a large city operates, its successes and failures and frustrations. And it has some wise words on juvenile delinquency and parental responsibility, riots and welfare, and police responsibility and authority. Drawing on twenty-five years experience with the New York Police Department, Lt. Klein has a fund of stories to illustrate his points.

One of his contentions is that while there may be a few cops who are crooked or brutal or inefficient, the great majority do a good job, especially when one considers the nature of the policeman's role. Reflect a moment: We expect policemen, although regularly in contact with outlaws and outcasts, and subject to peculiar temptations, to keep themselves morally spotless. We expect them to be calm and objective no matter what the provocations. They have always had to bear the abuse of lawbreakers, but today the police are also abused by politicians, public officials, and even some law-abiding citizens. Years ago, writes Klein, a policeman could make an arrest in, say, Harlem, and not only suffer no interference from local residents but even be offered assistance in handling the accused lawbreaker. No more.

This is not a healthy situation. When we assault policemen, whether verbally or physically, we contribute to the chaos that fills the vacuum left by the decline in law and order. People can hardly function, let alone thrive, in a condition of chaos; so there will always be a demand for order. The real question is not order vs. no order, but what kind of order? The order of a self-governing people who respect the law, aware that its equitable enforcement protects every man's rights? Or the order imposed by a Napoleon who is not bound to respect anyone's rights? One is the static order of a slave camp; only the former is proper to a nation of free people.

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